The Bargaining Power of Territorially Constituted Institutionalised Coalitions in EU Council Negotiations

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Abstract

There is growing evidence that negotiations in the European Union Council are not only taking place within the formal EU decision making structures. Member states strive to identify like-minded peers and to exchange information prior to the formal negotiations. Institutionalised intergovernmental coalitions that exist among the member states on a geographical affinity basis, e.g. Benelux and Nordic subgroups facilitate exchange among their members and grant them a bargaining advantage. The knowledge of the effects of territorially constituted institutionalised coalitions is, however, limited. Drawing on rational choice institutionalism, this study argues that territorially constituted institutionalised coalitions enhance the bargaining power through three mechanisms: first, exchange of information, which counterbalances the asymmetries in information distribution at the pre-negotiation stage; second, pooling of expertise that allows the member states to share resources and provide common argumentation for their positions; and, third, through rhetorical action that gives more strength to normative justifications ,which may lead to the normative entrapment of other member states outside the coalition.

Keywords

INTRODUCTION

Informal interaction, consultation and coordination within subgroups of EU member states have increasingly become a part of the negotiation process in the EU Council. Pre-agreement beyond the formal decision-making scope is often facilitated by informal cooperation within coalitions with the aim of increasing bargaining power through joint action. Conventional views on coalition-building focus on voting power analysis (Ordeshook 1986) with less attention paid to coalitions as the strategic tools of interstate cooperation, such as in the case of territorially constituted coalitions. Assuming that the territorial groupings exist in EU decision-making (Schild 2010; Klemenčič 2011), this article poses the question: to what extent and under what conditions can the territorially constituted institutionalised coalitions enhance member states' bargaining power?

Studies on power-pooling show that member states may enhance their bargaining leverage by building coalitions (Zimmer *et al.* 2005; Selk and Kuipers 2005). By randomly selecting *ad hoc* peers for coalition-building, member states aim to reach blocking minorities or winning majorities through aggregating their votes (Ordeshook 1986; Winkler 1998; Hosli *et al.* 2009).This may occur through the formation of *ad hoc* coalitions, which are short-term issue-specific intergovernmental cooperation formats that are dissolved after adoption of the dossier. Apart from *ad hoc* coalitions, more stable or "solid" coalitions exist (Blavoukos and Pagoulatos 2011: 570). They demonstrate a considerable degree of institutionalisation in terms of an established cooperation structure, interaction frequency, durability and advanced internal coordination. These more durable coalitions are created with the intention of solving joint problems and achieving cooperative gains (Powell 1999: 219) and may operate on a common geographic-proximity basis. Territorially constituted institutionalised coalitions, e.g. Benelux, Visegrad, Nordic-Baltic, have been labelled in the literature as 'country partnerships', 'alignments', 'blocs', 'alliances' or 'groupings' (Hosli 1999; Tallberg 2008; Thomson 2009; Panke 2010; Veen 2010; Blavoukos and Pagoulatos 2011; Klemenčič 2011). This article applies the term 'institutionalised coalitions' by emphasising the deliberate choice of governments in engaging in a structured and repeated cooperative action with stable peers. A common trait of all territorially constituted coalitions is their

institutional setup that rests on existing territorial cooperation structures, frequent interaction, and commonly defined goals. It has become a tradition within the territorially constituted coalitions that the prime ministers and ministers meet in breakfast meetings in the run-up to the European Council and Council meetings. The effects of institutionalised territorially constituted coalitions are, however, largely unexplored. The issue of power-pooling through institutionalised cooperation at the preparatory phase of the negotiations is almost missing in the explanations of bargaining power. Drawing on coalition theory, one can assume that the member states strive to aggregate their voting power in order to create minimum winning coalitions (Ordeshook 1986; Laver and Schofield 1990; Winkler 1998, Hosli *et al.* 2009). This explanation, however, cannot explain territorial institutionalised coalitions, since their aggregated number of votes is usually insufficient for reaching the blocking threshold.

How then can we explain the effects of the territorially constituted institutionalised coalitions in Council negotiations? Defining these coalitions as institutionalised coordinated action in reaching jointly agreed goals (Elgström *et al.* 2001), I assume that institutions are established because member states strive to overcome collective action problems (Stacey and Rittberger 2003: 864), to reduce the transaction costs of bargaining (Tallberg 2010: 635) or to deal with information uncertainty (Moravcsik 1997: 522). If the interaction among the territorial alliances did not serve the common beneficiary goal of fulfilling the expected function, the practice of consulting and exchanging views prior to EU meetings would hardly exist.

By conceptualising bargaining power as actors' ability to shift the negotiation outcome towards its their ideal point (Tallberg 2008), this article argues that institutionalised coalitions enhance the bargaining power through three mechanisms: (1) exchange of information, which counterbalances the asymmetries in information distribution at the pre-negotiation stage, (2) pooling of expertise, that allows the member states to share resources and provide common argumentation for their proposals, (3) by 'rhetorical action' that gives more strength to normative justifications that may lead to normative entrapment of other member states outside the grouping.

By developing this argument, the study contributes to the existing literature in several ways: First, by approaching coalition-building as a process and offering a theory of the effects of institutionalised coalitions on bargaining power, it reveals additional aspects of the persistent coalition patterns that to date have often been neglected when focusing on voting outcomes (Winkler 1998; Hosli 1999; Mattila 2009). Second, the argument differs from the existing approach, which explains persistent coalitions with the help of sociological constructivist theoretical tools. This study, on the contrary, assumes that actors behave rationally and engage in intergovernmental coordination of their positions prior to negotiations in order to gain benefits; not for the sake of supporting a collective identity. Hence, territorially constituted coalitions, even the most institutionalised ones, are perceived by their members as instrumental to strategic action. Drawing on rational choice explanations, the study explains how the member states solve the shortcomings and the collective problems (Stacey and Rittberger 2003: 864) of the asymmetries in information distribution at the pre-negotiation stage, and how they use their institutionally embedded cooperation formats for power-pooling purposes in EU Council negotiations.

The article is structured as follows. The first section presents the argument and elaborates on the causal mechanisms behind the effects of the institutionalised territorially constituted cooperation on bargaining power. The second section introduces the role of preferences in determining cooperative behaviour among the parties of the subgroup. The third section illustrates the examples of the Benelux and Nordic-Baltic territorial coalitions. Finally, conclusions summarise the theory and outline the implications of this study for existing research.

POWER POOLING THROUGH INSTITUTIONALISED COALITIONS

There have been numerous attempts to pinpoint the sources of power within the context of EU negotiations and social science more generally. When proposing better understanding of bargaining power in the EU Council, it may be useful to address this concept by integrating insights from broader International Relations (IR) theory. In spite of attention devoted to the concept of power in discussions of IR, scholars have constantly experienced difficulties in defining and measuring this "elusive concept" (Keohane 1989: 9). In more general theoretical terms, power can be seen as the capacity to affect the behaviour of others, i.e. A can be seen as powerful when getting B to do something that B would not otherwise do (Dahl 1957). Power may also be seen as the ability to prevent things from happening or as control over the political agenda. However, Dahl's definition has limitations in application to all fields of IR because of the lack of causality (Goldmann and Sjöstedt 1979). It does not "distinguish clearly enough between the outcome and process which leads to it" (Clark *et al.* 2000: 71): namely, it is not clear *how* A causes B to behave in the way A wants, and *why* B behaves in the way A wants. A further problem in applying Dahl's definition of power to a negotiation environment is that it does not foresee multilateral relationships, which is a usual condition when applying the power concept to the field of international negotiations.

A more helpful definition of power in addressing bargaining situations, therefore, would be one that concentrates on the *determinants* of the outcome, not the outcome itself. Authors viewing states as actors who maximise their power relative to each other focus on power resources or capabilities in order better to calculate how power is distributed between states (Baldwin 2002). According to various interpretations of power determinants, the existing scholarship on power can be divided into studies focusing on resources of structural power in terms of size, military capacities, economic strength; behavioural power in terms of skills and applied strategies, and issue-specific power. For contemporary views on power in IR one should develop a view on power which includes more than only strategies based on structural power determinants (Nye 2011).

In the context of bargaining situations, the power concept amounts to those determinants that enable negotiation parties to reach their desired goal (Habeeb 1988; Sjöstedt 1993; Baldwin 2002). Therefore, in negotiation research, it would be more accurate to draw on Weber's (1921) classical definition of power, where power is seen as the ability to overcome the resistance of others (in Schneider *et al*. 2010, Bailer 2010). Scholars dealing with the bargaining power issue in EU negotiations usually follow traditional IR approaches and view power mainly as the ability to reach a specific outcome. For example, Tallberg (2008: 687) defines bargaining power in EU Council negotiations as a capacity of the member state to achieve a distributional outcome that as closely as possible reflects the preferences of the member state. Addressing power as the capacity of particular actors (or group of actors) allows for a focus on factors determining the ability of one player to get another player to alter behaviour (Clark *et al.* 2000). Elaborating on Weber's definition, this study defines power as the capacity that may be put to work in negotiations for reaching the best preferred outcome. It focuses on the actor's expectations of benefits from the coalition building and operationalises bargaining power as an actors' ability to shift negotiation outcomes towards theirown ideal point. Bargaining power is measured here by the difference between the distance to outcome and the distance to reversion point, which in EU decision-making is often treated as a *status quo* (Achen 2006).

In bargaining situations where parties engage in mutually beneficial trade but have conflicting interests, bargaining success depends on a variety of factors, such as impatience, risk aversion, strategic choice of inside and outside options (Muthoo 2000). In spite of the broad coverage of different bargaining power determinants, coalition-building as a power-pooling strategy has so far attracted insufficient attention in studies of bargaining power generally, and in the research on EU negotiations in particular. Coalitions have been viewed from different angles, i.e. as organisational processes,

group behaviour, and as outcome-orientated actions. IR literature has applied three main categories in addressing coalition issues: formation, stability and the impact on the outcomes. The discussion on coalition formation is directly linked to cooperation patterns, i.e. who cooperates with whom and what goals should be achieved. According to coalition theory, a coalition emerges as soon as more than two actors are engaged (Dupont 1994). In this sense, coalitions are the concept of multilateral, as opposed to bilateral, interaction (Laver and Scjhofield 1990). Different scholars provide different definitions, depending on a coalition's composition, duration and perceived aims. Dupont (1994: 153) defines coalitions as "cooperative efforts for the attainment of short-range, issue-specific objectives". Another definition focuses on the functions of coalitions "to reduce the complexity of the negotiation situation" (Zartman and Maurin 1982) by reducing the number of actors and thus facilitating the bargaining process. Odell (2010: 624) focuses on common preferences and defines coalitions as a "set of parties that explicitly coordinate among themselves and defend the same position". This study draws on the definition which is applied in the EU context, conceptualising institutionalised coalitions as a "set of actors that coordinate their behaviour in order to reach the goals they have agreed upon" (in Elgström *et al.* 2001:113). This definition emphasises the parties' considerations behind the coalition building, i.e. to improve their bargaining situation compared to one that would have been gained by unilateral action. It also approaches coalitions as coordinated action in reaching the previously agreed goal.

Existing scholarship on coalition building in the EU has mainly focused on the motives driving the choice of coalition partners, ranging from positions (Roozendaal *et al.* 2008; Reynaud 2008), cultural affinity (Elgström *et al.* 2001; Naurin and Lindahl 2007) and party ideologies (Tallberg and Johansson 2008; Hagemann and Hoyland 2008). Few scholars have approached coordinated coalition-building behaviour as a power-pooling process. The existing studies in this field evaluate the motives behind peer selection (Saam and Sumpter 2009), explaining the strategic considerations of small states to improve their influence via intergovernmental coordination (Panke 2010). Saam and Sumpter (2009) have investigated the reasons why an EU government should select another government as a coalition partner and concluded that preferences, the salience of an issue, power and neighbourhood matter. They do not, however, go beyond the issue of peer selection and keep the question of the effects of partner search open.

The relevance of coalition building behaviour greatly depends on the expected gains from coalition formation. Social psychology and game-theoretical models offer different models on how to deal with the motivation that would lead to alignment bargaining actors. The literature suggests two answers to the question of coalition-building goals: actors either strive for *power maximisation* to create minimum winning coalitions (Winkler 1998; Reynaud *et al.* 2008; Hosli 1999), or *to influence the outcome* by demonstrating common objectives and support for common preferences or a particular policy. In both cases, the rationale behind their choice is to improve their bargaining situation by acting collectively. Accordingly, coalition-building can be seen as a "strategy of pooling bargaining power, rather than an independent source of power" (Tallberg 2008:687). Power-pooling is one amongst several "strategies of the weak" that can be used to mitigate the disadvantages in power distribution (Keohane 1971). By pursuing coalition-building tactics, framing or joining coalitions, negotiation actors can increase the level of commitment by combining several individual commitments or increase control by combining their resources (Dupont 1994).

According to coalition theory, a coalition's impact varies with the prevailing voting rule when decisions are made by voting: a coalition "reaching the required minimum share of votes wins" (Odell 2010: 624). Analysts observe that member states particularly align when qualified majority voting (QMV) is applied (Winkler 1998; Hosli 1999; Selck and Kuiper 2005). Under QMV rules, member states seek coalition partners either to block the decision or to promote the issue (Elgström *et al.* 2001) because they cannot block a decision by vetoing. For this reason, Schure and Verdun (2008: 475) predict the

tendency of "power-pooling" will increase after the Lisbon Treaty. But even for those 30 per cent decisions taken by unanimity (Wallace 2010: 95), the role of coalitions should not be underestimated because the member states are concerned about reputation repercussions when unitarily blocking a decision (Tallberg 2008: 695). Moreover, Heisenberg (2005: 65) demonstrates that about 80 per cent of all decisions are made by consensus, even when QMV rules formally apply. This makes coalition-building behaviour relevant and "inevitable" (Klemenčič 2005) irrespective of voting rules in EU decision-making.

Power-based coalitions are supported by rational choice theories predicting that actors will strive to maximise their utility. The power-maximising hypothesis, with the goal of reaching a blocking minority threshold, however, cannot explain the widely practiced intergovernmental coordination in subgroups prior to negotiations. The member states often deliberately coordinate their positions with the partners of their territorial region at the pre-negotiation stage. Panke (2010) has studied territorial partnerships in the EU and found evidence that the Benelux countries and the Nordic countries have demonstrated the highest activity in coordinating their positions prior to EU negotiations.

In spite of the issue's significance, our knowledge of the effects of institutionalised territorially constituted coalitions is surprisingly scarce, with weaknesses being grouped into several categories. First, there are gaps in the application of theoretical tools in explaining the durable coalitions in the EU. Drawing on culture, geography, history and language as the explanatory factors of coalition-building, scholars often explain territorial coalitions by relying on social constructivist tools, i.e. the role of social norms that may constitute the identity of actors and create common "rules of the game" (Beyers and Dierickx 1998, Lewis 2005, 2010). This study, instead, explains the effects of geographic and preference proximity-based institutionalised coalitions on bargaining power by using rational choice theoretical tools. The argument here is that, through engaging in institutionalised cooperation, the member states take advantage of institutional preconditions whilst acting rationally. Second, the existing literature exposes considerable gaps in the empirical testing of the effects of durable coalitions. Though there are some studies on territorial partnerships (Kaeding and Selck 2005; Naurin 2008; Panke 2010; Schild 2010; Klemenčič 2011), the empirical findings are contradictory. Some scholars do not recognise the advantage of institutionalised cooperation and predict the decline of territorial alliances (Hosli 1996), whereas others acknowledge their potential in gaining influence in decision-making (Schild 2010; Klemenčič 2011). Finally, the existing research on coalition-building often treats coalitions as end-game products. Those studies that evaluate coalitions as power-pooling mechanisms mainly focus on the voting outcomes in terms of the relationship of votes and the ability to influence the outcome in decision-making (Reynaud *et al*. 2008; Hosli *et al.* 2009; Schneider *et al*. 2010). The issue of power-pooling through institutionalised territorially constituted coalitions is almost missing in the explanations of bargaining power. Drawing on coalition theory, one could assume that, by building coalitions, member states strive to aggregate their voting power, in order to block the decision (Winkler 1998; Hosli *et al.* 2009). This logic, however, cannot explain the effects of the territorial coalitions, since their aggregated number of votes is usually insufficient to reach the blocking minority thresholds.

Therefore, by developing a theory of the effects of institutional coalitions on the bargaining power, this article aims to complement the understanding of the informal inter-governmental cooperation processes that take place prior to the formal negotiations in the Council and fill the gap in the literature.

THEORY: EFFECTS OF INSTITUTIONALISED COOPERATION

The statement "institutions matter" (Tallberg 2010: 634) is the point of departure for this study. The institutional setting can contribute to the differences in outcomes (König and Bräuninger 1998). According to rational choice institutionalism, the behaviour of political actors is shaped by rules and procedures through which they maximise their utilities by calculating the best courses of action. Actions are chosen not "for themselves but as an efficient means to a further end" (Elster 1989: 22). One could expect institutions to be established because member states strive to overcome collective-action dilemmas, information asymmetries and dealing with transaction costs.

In solving these tasks this article distinguishes between the institutionalised and *ad hoc* coalitions. The distinction is made across the variation of the independent variable in terms of the degree of institutionalisation, which ranges from low to high. Coalitions with a low degree of institutionalisation are approached as *ad hoc* alignments with randomly selected peers, no underlying structure for cooperation framework and sharing short-term goals. The *ad hoc* coalitions are issue-specific and dissolved after the agreement on the dossier is reached. Contrary to the aforementioned, coalitions with a high degree of institutionalisation share long-term objectives and have an existing structural and procedural framework for cooperation and interact repeatedly. Such highly institutionalised coalitions are expected to be more stable and durable and may follow territorial alignment logics.

It is largely acknowledged that the institutional embeddedness of negotiations affects actors' attitudes and positions (Jönsson 2002: 223). Institutional conditions of cooperation have an impact on their efficiency to affect outcomes in several ways: through (i) ensuring structures and procedures; by providing conditions of interaction (ii) ensuring continuity and density; (iii) by promoting insulation and socialisation; (iv) and by drawing on common objectives.

Firstly, institutions provide a structural and procedural framework within which actors interact and shape their expectations. As channels of exchange, these institutional networks may stretch across territorial borders and frame intergovernmental links. Accessibility is no longer contingent on one's physical location (Jönsson and Strömvik 2004); hence the contacts with other countries' experts within the territorially constituted coalition can be at least as intensive as with the domestic actors. Secondly, institutional setup provides conditions for interaction continuity and density of contact. Duration alone is not a sufficient condition: frequency is also important (Beyers 2005: 912). With both conditions present, territorially constituted coalitions can rely on the stability of their interaction and create an environment of insulation. Insulation is one of the central features of EU decision-making in general, and of territorially constituted coalitions in particular. It leads to two effects – thick trust and diffuse reciprocity. Institutionalisation serves as a prerequisite for trust both on individual and system levels through creating the reliability on a person or system. Given that the member states have incentives to misrepresent information (Fearon 1995), the in-camera setting of a limited number of participants may encourage better exchange of information. 'Insiders' may speak more openly about their own positions and exchange valuable knowledge about the 'outsiders'' preferences; on the other hand, they can keep the contents of their discussion at the international level concealed from the domestic arena, thus testing their own positions and "collectively legitimising" expectations (Lewis 2010: 652). A long-standing relationship, such as the interaction among the partners within institutionalised coalitions, positively affects diffuse reciprocity that allows for mutually beneficial deals in the future, since the shadow of the future is long enough (Warntjen 2010: 668). The institutional environment provides the necessary conditions for social interactions. Socialisation does not, however, mean that actors are supposed to adopt collective rules (Checkel 2001: 562; Beyers 2005: 904). Used by rational actors, socialisation may contribute to the normative justification of jointly shared values (Schimmelfennig 2005: 827).

Finally, according to functional logic, the institutionalisation of cooperation within the subgroup helps the actors to address the shortcomings in the negotiation environment – uncertainty about others' positions, shortage of expertise, and power distribution imbalances. Effective coordination may counterbalance scarce resources because the mutual exchange is carried out rationally and in the most effective way.

I explain the effects of the institutionalised territorial coalitions on bargaining power with the help of three mechanisms – exchange of information, expertise pooling, and through 'rhetorical action'.

Exchange of information

Negotiations in the EU are multilateral and highly complex, and as such, are characterised by uncertainty because of the large number of parties (Zartman and Maureen 1982; Odell 2010). Distribution of information can be seen as a source of power (Tallberg 2008; Bailer 2010). Firstly, shared information raises the efficiency of negotiations (Dupont 1994). Secondly, it gives a better bargaining advantage to those possessing information or to 'insiders' who take part in the information exchange. Some actors are better informed than others, and this creates asymmetries in information distribution. Access to information frames a negotiation's leverage (Dupont 1994; Shell 2006) because it gives an idea about the context in which the issue is discussed, what is at stake, what the goals are, and finally, what needs and preferences other parties hold. Parties that possess superior expertise and information are better positioned to identify possible agreements and shape outcomes in their favour (Tallberg 2008; Bailer 2010).

There are two types of information that are essential for a negotiator: information on the issue and information on others' preferences. According to information availability, one can further distinguish between public, private, and secret information (Dupont 1994). Negotiations in the EU are highly restricted and only the final voting results are available for public records (Hosli 1999). In the pre-negotiation phase, most information is either private (possessed by single member states) or restricted to groups of states. One can also observe information distribution asymmetries between the member states and institutions, e.g. the Commission. Hiding and misrepresenting information can be used for a strategic purpose. This creates uncertainty among negotiation actors about the fall-back positions and the range of agreements that would be acceptable.

I claim that information exchange can be facilitated by frequent communication, insulation and mutual exchange – conditions that are typical for an institutionalised setting of cooperation. It is assumed that institutions and organisations are efficient solutions for solving problems of incomplete information (Barnett and Finnemore 1999: 699). They can act as "intervening variables" mediating between states' "pursuit of self-interest and political outcomes" by changing the structure of constraints that states possess through their control over information (ibid.). Furthermore, an institution can become autonomous because of its control over information.

There is a clear correlation between the degree of insulation within an institution and effectiveness of information exchange. Limited negotiation setting (in subgroups) facilitates information exchange, generates information benefit (Delreux 2009: 735), and enhances information asymmetries in favour of 'insiders'. Exchange of information occurs more openly within less formal in-camera settings. Furthermore, international socialisation is based on strategic calculations of costs and benefits. Member states may use institutionalised coalitions for revealing their preferences and "testing" their positions before they are exposed in Council negotiations. By doing so, they can gain information about possible allies and avoid reputation repercussions if their positions happen to be too extreme. They can also use informal subgroup networks in order to acquire

information from better informed sources on the positions and goals of the EU institutions.

Expertise-pooling

EU legislation has become complex and technical content-wise. Decision making in the Council is a mixture of 'political' and 'technical' aspects that are difficult to separate (Fouilleux *et al.* 2005). More and more highly technical issues are transmitted to higher decision-making levels. Moreover, interaction with the Commission at different decision-making levels acquires good expertise on the issue. Negotiators need both content expertise and procedural expertise (Tallberg 2008: 700). Content expertise is related to the technical knowledge about the issue. It is important in two ways: it allows member states to identify their preferences in a highly professional way and to evaluate the preferences of others. Expert knowledge contributes directly to the bargaining power of the member states because they can formulate more nuanced positions, apply credible argumentation, and identify alternatives according to others' preferences. Expert capacity is particularly important for the framing phase of international negotiations (Shell 2006; Odell 2010) because experts have the capacity to evaluate and develop credible normative justification for their arguments (Risse 2000).

This article argues that the institutionalised set-up enhances expertise-pooling at different levels of EU Council decision making – in particular in the Council working groups and COREPER levels, with rational choice institutionalism providing further explanations for this argument. Rational actors communicate through their networks in order to gain information and pool expertise; indeed, Elgström *et al.* (2001) have observed that knowledge is one of the most important determinants in choosing networking partners.

One can expect that expertise-pooling will be enhanced through institutionalised cooperation. According to International Organisation theories, professionalism serves as one of the preconditions for insulation (Barnett and Finnemore 1999:723), shapes the environment for normative orientation and creates communities of professional networks inside the organisation. Moravcsik (1997:534), on the other hand, speaks about transnational communication and the dissemination of scientific information as a tool for cognitive ideological change.

Expert knowledge is particularly important for the preparation and framing phases in international negotiations (Shell 1999, Odell 2010) because experts have the capacity to evaluate and develop credible normative justifications for their positions (Risse 2000). From a rational choice perspective, arguing is the process of justifying one's positions and preferences (Risse and Kleine 2010: 709). Expertise becomes an important determinant of a member state's bargaining power in Council negotiations because actors argue about *factual* claims (Warntjen 2010:674), whereas the institutional set-up allows the coalition to develop a mutual "goal-oriented and strategic interaction" (ibid.) in framing a better argument. Due to the frequency and duration of interaction, the public preferences of member states within an institutionalised coalition are broadly known to all members, e.g. Nordic neighbours are aware of Danish opt-outs in the field of migration policy; Swedish preferences in environmental policy; Finnish expert capacities in the field of forest preservation, etc. Each of the members will have *expectations* about others' preferences, priorities and expert capacities. In long-standing institutionalised relationships, actors reveal their positions and engage in exchange more truthfully and explicitly and may "justify their positions in order to increase the reputation and/or provide information relevant for future negotiations" (ibid.). Coherent instead of constantly changing justifications will grant an advantage to the institutionalised coalition vis-à-vis their opponents. Finally, as group members cooperate in the environment of diffuse reciprocity, they may gain benefits from pooled expert-

capital and rely on exchange when it comes to factual and technical proficiency. Consequently, an institutionalised set-up enhances the conditions of exchange that equip group members with better bargaining conditions.

'Rhetorical action'

Finally, I suggest that the third causality mechanism of increasing the bargaining power of institutionalised coalitions is "rhetorical action". Rhetorical action refers to the joint development of a set of claims and justifications of positions with the purpose of convincing an audience or depriving opponents of rhetorical materials (Schimmelfennig 2001, Morin and Gold 2010: 567). This definition indicates two important conditions of rhetorical action – the presence of an audience and mechanisms for convincing opponents. The concept of rhetorical action in the tradition of rational choice accounts was applied by Schimmelfennig (2001) in illustrating normative arguments used by member states in justifying their bargaining positions regarding Eastern enlargement. As rational actors, member states are not interested in normative goals *per se*, but try to maximise their utility. They rather conform to norms by following cost-benefit calculations in order to avoid punishment in terms of exclusion or reputational damage. Rational actors enter negotiations with the motivation of achieving their preferences. Actors persuade the public of the appropriateness of the bargaining position by making reference to a normative goal. One can assume that the public are only partly informed and use cues in evaluating the actions of their governments. By using normative appeals, foreign governments may rhetorically address the public in other countries and rhetorically entrap their governments. It is acknowledged that the rhetorical action model only works when there is another party, i.e. audience, listening (Schimmelfennig 2001). The audience may be, for example, the "European public, who takes the role of an arbiter" (Grobe 2010:11). Risse and Kleine (2010:710) point out that at least someone in the audience must listen and *adjust* behaviour or rethink her understanding. It does not, however, mean that the actor deliberately changes preferences. By developing functional persuasion theory, Grobe (2010:12) explains argument-driven changes in the bargaining process from a rationalist perspective, suggesting the concept of "functional persuasion". An important distinction from Checkel's (2001) model of persuasion is that functional persuasion occurs under conditions of uncertainty – when new causal knowledge becomes available. The persuader provides new causal knowledge as a justification of their position and may convince the persuadee of the validity of their claims. In the functional persuasion model the persuadee simply "alters his initial beliefs *without* changing preferences" (ibid.).

If the government presenting convincing justifications for their positions uses rhetorical action strategically, it can grant them a considerable bargaining advantage. A good argument here is not understood in light of the deliberative process that to a great extent leads in the direction of sociological constructivism explanations (Risse 2000; Checkel 2002), but in rationalist accounts – approaching the argument as a means of leading to "better understanding of the problem at hand" (Grobe 2010).

How can institutionalised coalitions apply rhetorical action to enhance their bargaining power? In order to commonly pool norm-consistent arguments, a "forum" is necessary (Thomas 2009). In other words, a single actor is less successful than a group where the physical environment of trust and norm-diffusion plays a role (Manners 2002). Morin and Gold (2010: 567) argue that "participants must share a 'common lifeworld', i.e. a set of fundamental norms and a system of beliefs against which they can weigh their claims. This 'common lifeworld' is framed through communicative action – a prerequisite of institutionalised coalitions. Due to the institutionalised conditions of coalitions, their members develop mutual trust. Institutional conditions amongst cooperating parties create incentives to be trustworthy and to engage in a process of argumentation. Thus, member states may use the institutional setup as an intervening mechanism in creating

norm-based arguments. Members of an institutionalised coalition do not take norms and rules for granted, as their behaviour is "motivated by self-defined political preferences" and is thus power-orientated (Schimmelfennig 2005: 830). Provided that the members of an institutionalised coalition share converging preferences, they may jointly develop stronger normative justifications for their positions acting as a group and thus rhetorically entrap their opponents.

By defining the conditions of institutionalisation and developing causality mechanisms drawing on three elements – the exchange of information, the pooling of expertise and strengthened normative justifications that may lead to rhetorical action – the article hypothesises that: The higher the degree to which a coalition is institutionalised, the higher its potential for increasing its members' bargaining power.

BRINGING PREFERENCES IN

The effects of institutionalised cooperation cannot be explained by leaving preferences aside because preferences are a "fundamental raw material" when starting negotiations (Naurin 2008: 20). It is widely assumed that preferences are additional, necessary variables. Preferences tell us what actors want out of negotiations. While institutions define structures, procedures and the rules of governance, preferences determine an actor's ideal points regarding the outcomes. In multilateral negotiations such as those of the EU, the difficulties in agreeing on common policies stem from the complexity of negotiations, i.e. the large number of actors with a broad range of preferences. Each government's preferences reflect the underlying interests of its domestic electorate.

Thus, preferences can be approached both as dependent variables and as independent variables. Preferences as dependent variables are relevant for the argument of this study only in the sense of explaining the impact of domestic electorates, with Council negotiations indirectly reflecting the interests of the domestic constituency. Governments, in fact, have little flexibility in making concessions beyond the lines of their national preferences. Governmental preferences mainly reflect the economic interests of states. Governments often state their preferences publicly (Schneider 2011: 11), which puts further constraints in fulfilling their promises. However, the importance of geopolitical interests and ideology should not be underestimated. Approached as independent variables, preferences can directly affect bargaining power when strategically used by negotiation parties in the international arena. For example, member states demonstrating high preference intensity and commitment to their preferences gain a bargaining advantage (Bailer 2005, Thomas 2009). Presenting extreme positions is, however, a risky tactic, since the member state may be ignored. When dealing with the direct effects of preferences on bargaining power, Schelling (1960) introduces the "paradox of weakness" and hypothesises that domestic constraints can grant advantage at the international negotiation table (in Bailer 2005).

This article applies preferences as *intervening variables*, i.e. it does not explain the direct effects of preferences on the bargaining outcome but approaches preferences as conditions under which institutional settings can exert influence on outcomes (König and Bräuninger 1998). In other words, preferences determine how (and if) member states cooperate in power-pooling endeavours.

In EU negotiations the interaction between member states starts with defining policy preferences that are revealed in Council working groups as initial positions. Since enlargement, the heterogeneity of policy preferences has increased, with the complexity of reaching a compromise on a proposal increasing accordingly. Moreover, the outcome is determined not only by a single state's preferences and the capacity of the government to pursue them; as Moravcsik (1997:523) has noted, governments must think about their positions "within a structure composed of the preferences of *other*

states". Since intergovernmental bargaining is characterised by asymmetrical interdependence, it is assumed that negotiations will be more effective in environments where information is distributed widely. For this purpose, actors need to cooperate. Agreement to interact and cooperate is explained as part of a strategic choice of rationally acting states. Interaction amongst governments can be conceptualised as a cooperative game of framing coalitions (Saam and Sumpter 2009: 357). The logic behind selecting cooperation partners on preference-proximity is highly power-based: rational actors aim to influence negotiation outcomes, therefore they select like-minded peers, i.e. member states with converging preferences, in order to aggregate voting power to commonly shape future policies. A coalition framed by states that share preferences is perceived by outsiders as more credible, since it is less likely that splinters can fragment the group (Odell 2010: 625). Thus, *agreement to cooperate* is an important part of the strategic reasoning of rational states.

I assume that the policy preferences of member states are important explanatory factors for understanding the effects of institutionalised cooperation. Acting rationally, member states engage in power-pooling mechanisms only when preferences are close. Provided that the convergence of underlying preferences is a necessary pre-requisite for cooperation, this article hypothesises: The higher the degree of homogeneity of policy preferences amongst the members of a coalition, the more likely it is that cooperation will produce a bargaining advantage.

STAGES OF INTERACTION AND BARGAINING POWER

Both theories of negotiations and studies of EU decision-making acknowledge the importance of the pre-negotiation stage (Zartman and Maureen 1982; Shell 2006; Meerts and Cede 2004). According to Schiff (2008: 388), the goal of the pre-negotiation stage is to trigger the perceptions of the parties about the possible outcome of negotiations. Moreover, the pre-negotiation stage may lead to a common understanding among the actors engaged, within which the final and formal agreement will be sought (Balvoukos and Pagoulatos 2008). Member states' cooperation at working level grants them a better opportunity for exchanging expertise on the technical details of a dossier (Häge 2008). Informal rules of decision- making foresee that intensive negotiations take place on the lower levels of the Council organisation. Furthermore, cooperation networks among experts and civil servants of the particular dossier are stronger than the political level cooperation due to higher frequency of meetings. Lewis (2010: 655) points out that the officials who meet more frequently may also have a higher "interpersonal and normative dynamic". According to the estimates of Beyers (2005:904), 70 to 80 per cent of all issues are settled in the lower levels of decision making and do not reach the ministerial level. In practice, it means that the Council working groups and COREPER are real arenas for inter-state collaboration in terms of information and expertise exchange. Some studies indicate that well-developed communication networks are also present at the committees' level (Elgström *et al.* 2001). Acting rationally, member states will strive to cooperate within the established institutionalised frameworks as early as possible, i.e. at the decision-level that bestow them with most benefits. Taking into account these conditions, this study hypothesises that the lower the decision-making level for inter-state cooperation within institutionalised coalitions, the higher the possibilities of enhancing their bargaining power in the negotiations.

This study applies sociological constructivism as an alternative explanation of the effects of institutionalised cooperation on actors' bargaining power. Given the same necessary institutional conditions, i.e. a high degree of insulation, repeated interaction, and common goals- one could expect that, as a result of persuasion, member states would shift their policy preferences after the coordination within institutionalised groupings.

In contrast to the rational choice explanation, where institutions facilitate a beneficial position for members without influencing their preferences, social constructivism claims the cooperative institution has persuasive strength that shapes members' preferences. The alternative hypothesis would support the line of sociological constructivist thinking that the strength of institutionalised coalitions rests on their social interactions, social trust, and common historic legacy, which may result in a shift and convergence of the preferences of their members. According to the sociological constructivist approach, actors adopt certain practices that change their identities and interests (Wendt 1994: 384). Rule-guided behaviour differs from strategic behaviour in the sense that actors are not striving to maximise or optimise their given preferences (Risse 2004), but choose behaviour that is 'appropriate' (March and Olsen 1989: 162). Institutions are supposed to shape actors' preferences. The feeling of "we-ness" (Beyers 2005: 899), repeated interaction and socialisation would, according to the sociological constructivist accounts, result in a shift of actors' preferences due to persuasion. By applying sociological constructivist interpretation one could expect that the conditions of institutionalisation, such as a high degree of insulation and repeated interaction, would shift member states' preferences and enhance the bargaining advantage due to persuasion. Alternative hypothesis (AH): the higher the degree of institutionalisation, the greater the increase in bargaining power through persuasion and convergence of preferences.

INSTITUTIONALISED TERRITORIALLY CONSTITUTED COALITIONS IN THE EU

The aim of this section is to give general insight into two of the widely acknowledged territorial groupings in the EU. The formation of institutionalised territorially constituted coalitions in the EU decision-making dates back to the 1950s - the creation of the Benelux cooperation and the German-French partnership. The accession of the Nordic countries to the EU and the Eastern enlargement has encouraged further regionalisation (Antola 2009). With a large number of member states the socio-economic conditions and challenges in different parts of the EU differ. This heterogeneity has contributed to the aggregation of policy preferences across a geographical axis. Numerous studies have acknowledged a distinct Nordic-South divide with relatively consistent and durable coalitions (Kaeding and Selk 2005; Thomson 2009; Veen 2010; Blavoukos and Pagoulatos 2011). In terms of territorial alignment, the most prominent representatives are the Benelux group, the Nordic-Baltic grouping, the Visegrad group that emerged in 1991 and gained impetus with the enlargement in 2004 (Klemenčič 2011; Antola 2009), and a rather coherent Mediterranean bloc (Blavoukos and Pagoulatos 2011). All these regional formations have some common features: as relatively persistent coalitions, the territorially constituted coalitions operate within a regional framework among the neighbouring countries. Apart from geographic affinity, these persistent coalitions most often share socioeconomic preferences or, as Veen (2010: 10) puts it, "cooperate on the level of political space". Territorially constituted coalitions are composed of the same members and are rather stable over time. The choice of coalition members here depends "not on what you want, but who you are" (Naurin 2008: 2). The choice of peers is guided by common historic and regional legacy and therefore produces 'in-group' dynamics. Selection of cooperation partners within the territorial coalitions follows the logics of 'neighbours first'. Yet, this intergovernmental cooperation in subgroups rests on purely rational calculations without governments' readiness to sacrifice their policy preferences to collective solidarity. Among others, the two most prominent examples of institutionalised territorially constituted coalitions are the Benelux and the Nordic-Baltic (NB6) cooperation frameworks.

The Benelux group

Established by the Treaty of the Benelux Economic Union (BEU) in 1958, the Benelux cooperation is the most highly formalised territorial partnership in the EU. The original intention of framing a regional union was to promote coordination and pursuit of a joint policy in economic relations with third countries (Wouters and Vidal 2008: 18). Apart from the economic cooperation that is defined by the BEU Treaty as the key objective of intergovernmental cooperation in the region, another, more informal, part encompasses Benelux political cooperation. It aims to achieve coordinated positions in the multilateral negotiations. Exchange of views on the EU policies is a part of the Benelux political cooperation. Though the Benelux Union is not considered to be an organisation (ibid.), the Benelux Union Treaty foresees both structural and procedural elements, demonstrating a high degree of institutionalisation. The conditions of institutionalisation are further supported by a budget for fulfilling the operational objectives of the Benelux Union. Furthermore, the goals of institutionalised cooperation are jointly defined by framing a work programme. Apart from the internally well-defined goals and procedures, Benelux has established a legal link between the Benelux Treaty and EU law. The so called "enabling clause" grants the Benelux cooperation a particular status that in Article 233 of the Treaty of Rome enabled the integration between the Benelux countries without qualifying it as discrimination against other member states. Benelux states have further negotiated the reference in the Lisbon Treaty[1], maintaining the enabling clause for the Benelux also in the future. Article 350 of the TFEU is not, however, extended to other territorial groupings in the EU e.g. Visegrad or Nordic-Baltic.

The formal institutionalised agreement is relevant background for cooperation in the EU policy context because it creates a permanent consultation structure and defines channels for cooperation. Cooperation on EU issues is adjusted to the actors of EU decision-making, i.e. political leadership, EU coordination offices, COREPER ambassadors, staff of the Permanent Representation to the EU, and line ministries in charge of particular dossiers. While maintaining freedom of choice in selecting cooperation peers, the treaty favours the notion: "to consult each other" or even "give priority to consulting Benelux first" on the topics that are on the EU agenda (Altes 2007: 23). The most common consultation format is the so called "Benelux breakfast" - meetings of Prime Ministers, Ministers of Foreign Affairs and other ministers of different Council configurations prior to the Council meetings in Brussels.

In EU negotiations Benelux cooperation has been distinctive through jointly issued political statements, i.e. Benelux memoranda (Lehtonen 2009: 68), with examples of power pooling within institutional issues and Justice and Home Affairs. The preference proximity is among the most important conditions for successful joint action of the grouping. Hence, even the most formalised institutionalised cooperation cannot yield bargaining power to its members if the preferences are divergent.

Nordic-Baltic cooperation format

With a less formalised structure than Benelux cooperation, the Nordic-Baltic grouping (NB6) still represents one of the most institutionalised groupings in EU negotiations. The NB6 is often seen and approached as two separate territorial partnerships, i.e. the Nordic and the Baltic group. This section explains the evolution of the regional cooperation that consequently led to the formation of the NB6, the current formally acknowledged regional cooperation framework in the EU policy context (Birkavs and Gade 2010). Regional cooperation originated from Nordic cooperation and underwent several periods of structural changes and adjustments. After a failure to agree on regional economic cooperation in the 1960s, the Nordic countries managed to find common ground for political and cross-border cooperation by establishing regional cooperation structures, e.g. the Nordic Council of Ministers. Institutionalised interaction boosted the contacts

and exchange among the countries and developed a distinct Nordic voice internationally in terms of their voting cohesion in multilateral negotiations in the UN (Laatikainen 2003). After the Baltic States' accession to the EU, the core of regional cooperation shifted to the Baltic Sea region, which was more suitable to the geopolitical situation after the enlargement. Since 2004 a new institutionalised cooperation framework has emerged, coordinating the positions of six member states: Sweden, Finland, Denmark, Estonia, Latvia and Lithuania, known under the acronym of NB6. Contrary to Benelux cooperation, the NB6 framework does not operate on the basis of any formalised agreement. The cooperation format of the territorially constituted cooperation framework is highly informal and rests on an 'in-group' socialisation culture and 'a duty to consult' the partners (Naurin and Lindahl 2007: 6). NB6 consultations on EU issues are held either in the capitals on the expert and senior civil servant level or within the network of the Permanent Representations in Brussels. The civil servants tend to contact their counterparts at the ministries of the neighbouring countries in order to exchange information about their preferences and acquire knowledge on the technical and procedural aspects of the dossier. The most stable regional interaction format is the "NB6 breakfast", held prior to the Foreign Affairs Council meetings and the European Councils. As with Benelux cooperation, a convergence of preferences is a necessary condition for effective cooperation.

The NB6 is often perceived by the international community as a group. Following the initiative of the United Kingdom, a summit among the NB6 and the UK was organised in London with the aim of discussing political and economic issues of mutual interest (Bagehot 2011).Territorially constituted coalitions, therefore, possess the potential to use the reputation of 'acting as a group' to their advantage.

CONCLUSIONS

In this article I have developed a theory on the effects of institutionalised territorial coalitions on bargaining power in EU Council negotiations. Drawing on rational choice explanations, I have argued that the degree of institutionalisation matters for the efficiency of cooperative action, and that the bargaining advantage is enhanced through three mechanisms – exchange of information, sharing expertise and the aggregation of justifications through rhetorical action.

The most substantial focus in the theoretical model was put on the degree of institutionalisation of inter-state cooperation. Searching for power enhancement, the members of institutionalised coalitions cannot always rely on blocking the decision at the end-game because their combined votes often do not reach the necessary voting thresholds. Hence, the institutional setting provides additional power resources beyond their voting power. According to the functional logic, the creation of institutions helps the negotiating actors increase the efficiency of achieving common goals by overcoming collective action dilemmas, such as, for example, uncertainty and information asymmetries or a shortage in expertise. Since the institutions provide specific rules and structures, they can address shortcomings in the negotiation environment that individual states fail to solve on their own. To illustrate the argument, the article provided some insights into the structure and functioning of two territorial coalitions present in EU decision-making, the Nordic-Baltic group (NB6) and the Benelux group.

A common trait of all institutionalised coalitions in the EU refers to the institutional conditions that facilitate mutual exchange. Compared to *ad hoc* coalitions, institutionalised coalitions depend on structural, more frequent, durable and coherent interaction features, often stemming from the pre-existing regional cooperation frameworks that can be formalised by a mutual agreement or even an in-group treaty, as shown in the example with the Benelux group. Arguably, one of the most interesting and essential questions in studying the territorially constituted coalitions is related to the

policy preferences of the grouping's members. A high degree of institutionalisation alone is not sufficient for yielding bargaining power if not supported by converging preferences amongst the grouping's members.

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[1] Art.350 of the TFEU: "The provisions of the Treaties shall not preclude the existence or completion of *regional Unions* between Belgium and Luxembourg, or between Belgium, Luxembourg and the Netherlands, to the extent that the objectives of these regional Unions are not attained by application of the Treaties".

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