

Institutions vs. Leadership: Towards a Theory of Credible Commitments

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Dalhousie EUCE Occasional Paper No. 2 (2007)



Abstract

The paper discusses the contribution of various International Relations (IR) and integration theories concerning ‘credible commitments.’ The term was probably first used by neo-liberal institutionalists, especially Robert Keohane, in the late 1980s. In the 1990s Andrew Moravcsik made it a defining element of his three-stage integration theory called liberal intergovernmentalism. According to Moravcsik the particular institutional choice of the European Communities, pooling and delegation of sovereignty, was a deliberate decision by the member states to create ‘credible commitments’. During the so-called neo-neo debate within the IR discipline during the 1980s neo-realists had serious doubts about a committing kind of international cooperation. Were such to take place some kind of hegemonic leadership would be required, some argued. Among students of regional integration, Walter Mattli has emphasized the role of leadership as an important supply factor explaining the success of integration, making it more important than what he called ‘commitment institutions’. So who are we to believe: does integration require supranational institutions – pooling and delegation – or is leadership more important? This paper tries to give some tentative answers.

Introduction¹

The debate among IR scholars concerning the role of international institutions came to the fore during the so-called neo-neo debate during the 1980s. In the early 1980s Stephen Krasner gave what has become known as the consensus definition of international regimes:

Regimes can be defined as sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors’ expectations converge in a given area of international relations (Krasner, 1983, p. 2).

Neo-liberal institutionalists dealt with the role of regimes or institutions as they were also called. When writing about these in 1989 Robert Keohane argued that institutions affect states in three ways;

1. the flow of information and opportunities to negotiate;
2. the ability of governments to monitor others’ compliance and to implement their own commitments – hence their ability to make credible commitments in the first place; and
3. prevailing expectations about the solidity of international agreements (Keohane, 1989, p. 2)

¹ This is a slightly revised version of a paper prepared for delivery at conference on supranational integration at the Leonard Davis Institute for International Relations, The Hebrew University of Jerusalem, 18-20 March, 2007. Parts of this paper rely on earlier writings by the author, especially Lausen 2003a, 2003b and 2005.

Much of the liberal institutionalist contribution was based on rather simple game-theoretic thinking. In the game known as Prisoners' Dilemma rational actors acting independently will often arrive at suboptimal solutions. Without good institutions states would face a collective action problem. The temptation to defect from agreements would often be too high. Cheating would produce Pareto-inferior solutions. Arriving at optimal solutions would require institutions to broker agreements and to monitor and enforce them.

The other side in the neo-neo debate, the neo-realists, was much less optimistic about the possible role of institutions.² Whereas liberal scholars reasoned in terms of absolute gains the realists reasoned in terms of relative gains. A rational state will not only look at what it gains from cooperation, but also what its opponents gain. For this reason cooperation will be difficult to sustain and it requires a powerful leader. The example usually used was the role played by the United States from the end of the Second World War until the early 1970s maintaining a liberal international economy through GATT, IMF etc. The theory of hegemonic stability, first developed by Charles Kindleberger, found support among realist scholars. According to this theory, "The hegemonic power must prevent cheating and free riding, enforce the rules of a liberal economy, and encourage others to share the costs of maintaining the system (Gilpin, 1987, p. 75). When liberal scholar Keohane tested hegemonic stability in his book, *After Hegemony* (1984), he found that hegemony – or leadership – can facilitate cooperation, but it is neither necessary nor sufficient (p. 31). In general he found the theory inadequate "because of its failure to take into account the role of international institutions" (p. 215)

Liberal intergovernmentalism vs. rational choice institutionalism

At first sight it can look surprising that an approach called 'liberal intergovernmentalism' should end up assigning a relatively important role to institutions. When Andrew Moravcsik used this name for his emerging theory in the early 1990s his approach had two phases, national preference formation and interstate bargaining (Moravcsik, 1993). It was only in his monumental study, *The Choice for Europe* (1998) that he added a third phase, institutional choice, where he argued that the pooling and delegation of sovereignty in the EC/EU had taken place to assure 'credible commitments'. But, in the process of making the 'grand bargains' in the history of European integration the EC institutions were not assigned an important role. Those bargains were made by the member states. But when it came to implementing the bargains institutions were important to assure 'credible commitments'.

If we refer to Peterson's three levels of analysis (Peterson, 1995), we could say that Moravcsik is an intergovernmentalist when he studies 'history-making decisions' at the supra-systemic level, but admits of an important role for EC institutions at the systemic level of policy-setting as well as assuring implementation.

Institutionalists assign great importance to EC institutions in day-to-day EC/EU politics (e.g. Hix, 1999). The European Commission proposes legislation. The EC institutions, including the European Court of Justice (ECJ), get involved with surveillance and enforcement of decisions. The Commission issues reports on implementation of directives. Member States

² For some of the important contributions to this debate, see Baldwin 1993.

that do not implement will be shamed at first and face the prospects of an ECJ infringement case.

But there are also institutionalists who argue that EC institutions can play an important role in the reforms of the EC/EU institutions, which has taken place through intergovernmental conferences (IGCs). Derek Beach studied the role of EC institutions in successive reforms, from the Single European Act (SEA) in the mid 1980s until the latest reform effort, the Constitutional Treaty (Beach, 2005). Based on negotiation literature Beach finds two reasons why leadership may be required in international negotiations:

1. The first bargaining impediment in complex, multi-party negotiations is that parties can have difficulties in finding a mutually acceptable, Pareto-efficient outcome owing to *high bargaining costs*.
2. The second bargaining impediment relates to *coordination problems* that can prevent the parties from agreeing upon an efficient agreement – even if there are low bargaining costs (Ibid, 18-19).

These bargaining problems can be solved if an actor with privileged information steps in and helps the parties get to the Pareto frontier. Leadership can also create a *focal point* around which agreement can converge (Ibid., 19-20). Bargaining costs are ‘often so high that most governments are forced to rely upon the expertise of the Council Secretariat and Commission for legal and substantive knowledge, and assistance in brokering key deals’ (Ibid., p. 258)

When the original European Communities were created - the European Coal and Steel Community (ECSC) in 1950-52 and the European Economic Community (EEC) (and EURATOM) in 1955-58 - there were no preexisting Community institutions that could play the role of EC institutions (although the High Authority of the ECSC played a role in the corridors when the latter two Communities were created). An intergovernmentalist analysis should therefore be expected to be the way to analyze the creation of the Communities as distinguished from their later reforms. But doesn't the initial creation then depend on national leadership of some kind? Can we explain the creation of the ECSC without looking at the role of leadership by Jean Monnet, Robert Schuman and others? Can we explain the creation of the EEC without the leadership roles played by some Benelux leaders, including especially Paul Henri Spaak from Belgium?

Liberal intergovernmentalism finds agreement in the ‘grand bargains’ among states in Europe relatively easy. They have enough information to find relatively efficient solutions without a political entrepreneur. “Transaction costs of generating information and ideas are low relative to the benefits of interstate cooperation.” National governments have resources to generate information. They can, “regardless of size ... serve as initiators, mediators, and mobilizers.” So EC negotiations are “likely to be efficient” (Moravcsik, 1998, p. 61)

Collective action problems

Given these contrasting views we will proceed to give a rational account of the collective actions problems in interstate negotiations that can affect efficiency and distribution in negotiations.

The Prisoners' Dilemma game illustrates the situation where individually rational actors, e.g. states, arrive at sub-optimal outcomes if they act independently. Further, the theory shows that agreements, which should realize optimal outcomes, will often be unstable because actors will be tempted to cheat or defect from the cooperative agreement to realize outcomes that are better for themselves in the short run (Brams, 1975; Stein, 1990; Taylor, 1987).

Fig. 1: Prisoners' Dilemma

		Actor B	
		Co-operation	Defection
Actor A	Co-operation	3,3	1,4
	Defection	4,1	2,2

Source: Stein, 1982.

The Prisoners' Dilemma can be depicted as a dilemma between co-operation and defection. In its simplest version there are two actors, A and B. Each has to choose between two possible strategies. The values in the matrix are the payoffs for A and B respectively. The first value is the outcome for Actor A, and the second value is for Actor B. In a one-shot game A is expected to choose the defection strategy because the payoff will be best irrespective of what B decides. The same goes for B, and the collective outcome will be 2,2, which is sub optimal (or Pareto inferior). The optimal outcome, 3,3, can be reached through co-operation, but will be unstable because each actor can gain by defecting (or cheating). It may therefore take a good international regime, possibly including sanctions, in order to avoid defection.

Post-war efforts at international cooperation among industrialized countries in the economic area can be seen as a response to the protectionism - and beggar-thy-neighbour policies - of the 1930s. Free trade is not easy to realize because of the temptation to cheat. The states tried to liberalize trade through the General Agreement on Tariffs and Trade (GATT) – now part of the World Trade Organization (WTO). Yet trade conflicts and protectionist measures have remained important aspects of relations among the industrialized countries (Grieco, 1990; Conybeare, 1987; Gilpin, 1987).

The EC's Internal Market project can be seen as a renewed effort to overcome Prisoners' Dilemma situations. There were demands from economic groups in the Member States and the EC institutions played a role. The Commission under President Jacques Delors played a leadership role. In the Single European Act (SEA) the Member States also accepted the use of qualified majority voting (QMV) to complete the Internal Market.

These elements of an independent Commission and QMV constitute delegation and pooling in Moravcsik's terminology and add up to what could be called supranationality (Keohane and Hoffmann, 1990). The Commission is an independent European body; it is there to represent and advance European interests. National interests are represented in the Council (of Ministers); but to the extent that QMV is accepted in the Council, no single member can stop the adoption of measures they do not like. One of the problems of traditional intergovernmental cooperation, and the concomitant rule of unanimity, is that the slowest members will determine the speed. Under such form of cooperation one should expect decisions to be based on the lowest common denominator. The EC, on the other hand, has created institutions that should facilitate the 'upgrading of the common interest' (Haas, 1961).

The ECJ has also played an important role. Community law is different from traditional international law. It has primacy if it conflicts with national law; and much EC legislation has direct effect (Louis, 1990).

If we compare the EC with other regional integration organizations some of these institutional differences become apparent. None of the other regional schemes have created independent supranational bodies like the EC Commission; none of them have accepted anything resembling Community law and real limits on their sovereignty in the form of binding majority decisions.

Integration is not only about getting optimal outcomes, however. There are also issues of distribution in integration processes. The game that can illustrate this is the coordination game known as the Battle of the Sexes. Whereas the question about efficiency is the question of reaching the Pareto-frontier, the question of distribution is where do you end up on the Pareto-frontier. An element of power enters the equation. Whereas liberal institutionalists scholars, such as Keohane, have looked at efficiency, realists and neo-realists have emphasized the question of power (Krasner, 1991). In the integration literature especially Mattli has emphasized the importance of a leader who plays the role of a regional paymaster. Such leader can help solve problems of distributional inequities which will often be part of the integration process (Mattli, 1999a and 1999b).

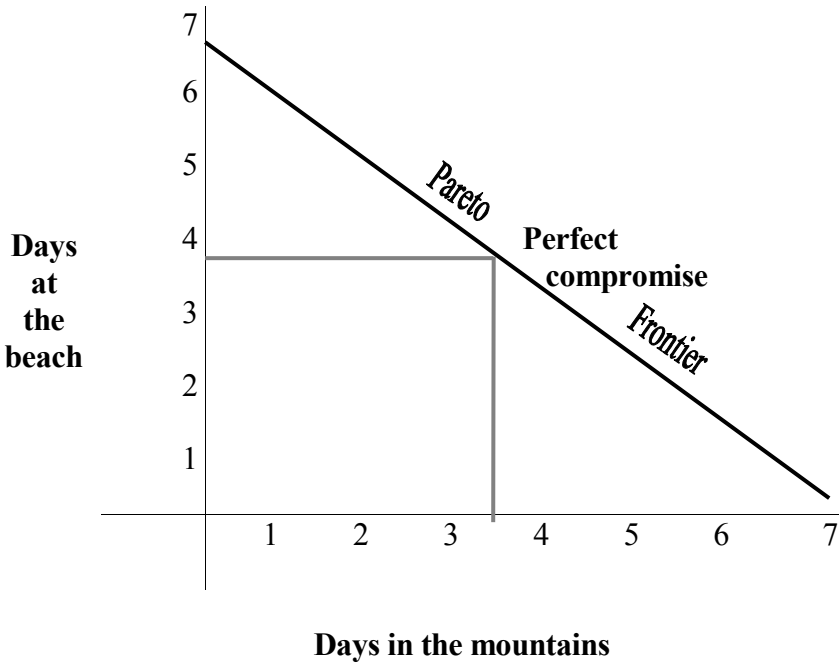
The Battle of the Sexes (fig. 2) is often illustrated by a couple going on holiday. What happens if the male partner prefers the mountains and the female partner prefers to go to the beach? If the greater part of the holiday is spent in the mountain the male partner will have won the little power game. This game can also be illustrated as different points on the Pareto frontier (see fig. 3), where $3\frac{1}{2}$, $3\frac{1}{2}$ is the perfect compromise.

Fig. 2: The Battle of the Sexes

		Actor B	
		Mountains	Ocean
Actor A	Mountains	3,4	0,0
	Ocean	0,0	4,3

Source: Krasner: 1991.

Fig. 3 Pareto Frontier



Source: Little, 1997.

Mattli's comparative analysis

Walter Mattli has compared European integration experiences with experiences in other regions of the world. Whereas Moravcsik emphasizes demand for integration Mattli also emphasizes supply factors, especially 'the presence of an undisputed leader among the group of countries seeking closer ties.'

Such a state serves as a focal point in the coordination of rules, regulations, and policies; it may also help to ease distributional tensions by acting as regional 'paymaster' (Mattli, 1999a, p. 14).

Successful integration depends on both demand from market actors and supply from political actors. Willingness to supply integration 'depends on the payoff of integration to political leaders' (Ibid., p. 13). On the supply side both "commitment institutions" (such as the Commission and ECJ in Europe) and a leader are considered important. In the German *Zollverein* the role of regional leader and paymaster was played by Prussia. It is argued that Germany has played such a role in the EU. A central question on the supply side is how to overcome collective action problems associated with both Prisoners' Dilemma and coordination games. There must be mechanisms to deal with the temptation of defection as well as distributional inequities.

Table 1: Outcomes of integration schemes

(Uncontested) regional leadership

		Yes	No
(Potential) market gains from integration	Relatively significant	3 EU NAFTA EFTA (until 1973)	2 EFTA (after 1973) APEC MERCOSUR
	Relatively insignificant	2 CACM (until 1969)	1 CACM (after 1969) ASEAN ECOWAS LAFTA Andean Pact

Success rate: 3 highest
1 lowest

Source: Adapted from Mattli (1999a), p. 66.

Mattli illustrated the varying outcomes of integration in a table that we reproduce in slightly shortened form (Table 1). Leaving out some of the integration schemes studied by Mattli, we note that he has given the EU, NAFTA and EFTA until 1973 the highest success rate (1973 was the year the UK and Denmark left EFTA to join the EC). The lowest success rate is given to the Central American Common Market (CACM) after 1969, ASEAN, the Economic Community of West African States (ECOWAS), LAFTA and the Andean Pact (as well as the Caribbean Community and the Arab Common Market, which we have not included in the table). In the middle groups we find two contemporary schemes, the Asia Pacific Economic Cooperation Forum (APEC) and Mercosur.

The Mattli framework for studying regional integration has the advantage of simplicity, singling out a small number of variables as decisive for the success of integration. It pays equal attention to demand and supply factors. Among the things suggested by the scheme is the problem of leadership for schemes like Mercosur and APEC, despite the presence of significant potential market gains from integration. Can and will Brazil be a leader in Mercosur? Can and will Japan – or the United States – be a leader in APEC? We also note that Mattli does not see great prospects of integration among ASEAN countries, despite renewed integration efforts from 1992.

But Mattli does not answer the question about the relationship between leadership and institutions.

Supranational Politics

Keohane suggested ‘institutional variation’ over three main kinds of institutions, viz. conventions, international regimes and international organisations. ‘Variations in degrees of institutionalization exert substantial effects on state behaviour,’ he said. Secondly, for an institutionalist perspective to be relevant, ‘the actors must have some mutual interests’ (Keohane 1989, p. 2).

To apply Keohane’s 1989 distinctions to the EU we need to add some further distinctions. One of the EU’s founding fathers Jean Monnet mentioned the ‘negative experience of international co-operation, whose institutions were incapable of decision-making.’ He therefore proposed ‘a joint sovereign authority’ for the first European Community, the European Coal and Steel Community (ECSC) in 1950 (Monnet, 1978, p. 295). He also wanted to ‘abandon the unanimity rule in favour of a new system in which, to everybody’s advantage, the idea of the common interest would replace that of the national interest – or rather, the national interests of six separate countries’ (Ibid., p. 353). So Monnet’s analysis of traditional international cooperation contributed to the creation of supranational institutions in the European Communities.

None of the other integration schemes in the world have gone so far in the direction of giving common institutions ‘supranational’ powers. In that sense the EU is certainly *sui generis*, and some scholars have argued that the EU is more than an international regime (or international organisation), but less than a federal state (e.g. Wallace 1983).

Writing about the EC in 1991 Keohane and Hoffmann echoed this:

1. The EC is best characterized as neither an international regime nor an emerging state but as a network involving the pooling of sovereignty.

2. The political process of the EC is well described by the term “supranationality” as used by Ernst Haas in the 1960s (although not as often used subsequently) (Keohane and Hoffmann, 1991, p. 10).

At the same time, Keohane and Hoffmann did emphasise that ‘the EC has always rested on a set of *intergovernmental bargains*.’

In comparisons between the EU and other regional institutions we therefore need to add supranational institutions (or polities) to those institutions mentioned by Keohane in 1989. Further on an institutional capacity axis we could also add federal states (see Figure 4).

Figure 4: Institutional Capacity



Source: Compiled by the author (Laursen 2003b)

Keohane had another axis in his 1989 chapter, namely degree of mutual interest. We could use a rationalist game theoretic perspective to illustrate these different degrees of mutual interests, starting with conflicting interests (deadlock) over dilemmas of common interests (Prisoners’ dilemmas) via dilemmas of common aversions, especially co-ordination games with distribution problems (Battle of the Sexes) to situations of no conflict (harmony) (see especially Stein 1983, and Krasner 1991, but also Grieco 1988 and Snidal 1991).

In Prisoners’ Dilemma situations good institutions are required to get Pareto-efficient solutions. Under the Battle of the Sexes institutions have to contribute to solving problems of distribution. In the case of Simple Co-ordination Games there are neither problems of defection nor distribution. So no regimes are needed. When there are fundamental conflicts of interests (Deadlock) no co-operative institutions will emerge. Nor are they needed at the other end of the continuum in situations of harmony.

What this second axis suggests is that the configuration of interests (or preferences) structures different kinds of situations that affect the institutional requirements if joint decision-making is to take place. The two fundamental situations requiring good institutions are the dilemmas of common interests, where the issue is one of reaching efficient solutions, and coordination games, where the problem is one of distribution.³ These two fundamental games are used by a number of scholars, including Mattli and Beach, to indicate the collective action problems that have to be overcome if cooperation has to be successful.

Other games have different requirements. We have tried to summarise the essentials of the argument in Table 2. In pure conflict situations it is limited what institutions can do. Some

³ For a German discussion of how different game situations structure international relations, see Zürn 1992.

convergence of interests will have to take place first. At the other end harmony of interests require no institutionalisation. ‘Parallel unilateral action’ as advocated in East Asia and within APEC should be sufficient. The problem for AFTA and APEC is that harmony of interests does not necessarily exist. Domestic pressures have made it impossible for APEC to progress towards freer trade in sensitive areas.

Simple co-ordination problems – like whether to drive on the left or right side of the road – requires decisions, but no elaborate regimes. They are basically self-executing once decided upon. I suggest that the so-called Open Method of Co-ordination invented by the EU and applied to employment policy under the Amsterdam Treaty and a number of issues under the so-called Lisbon Strategy of 2000 can solve simple coordination problems. The Lisbon Strategy set the strategic goal for the EU ‘to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.’ It is a good question, however, whether these problems are all simple co-ordination problems. So far progress seems to have been limited and slow.

Table 2: Nature of Issues and Institutional Requirements

Nature of issue	Conflicting interests/pure conflict	Dilemmas of Common interests Temptation to defect	Co-ordination problem with distributional issues	Simple co-ordination problem	Harmony of interests
Institutional requirements	Institutions to no avail Convergence interests required	Pooling and delegation of sovereignty Sanctions against defection	Pooling and delegation of sovereignty Side-payments Budgetary means useful	Open Method of Co-ordination (OMC) sufficient	Institutions not necessary ‘Parallel unilateral action’ sufficient

Source: Compiled by the author (Laursen 2003b)

Used in a comparative perspective this raises the question whether other mechanisms than pooling and delegation of sovereignty can provide for ‘credible commitments’ when there are temptations to defect from agreements or distributional inequities follow from integration. The most obvious candidate for such mechanism is leadership (or hegemony). There can be no doubt that leadership is in any case an important variable in processes of integration as underlined already by Lindberg and Scheingold (1970). Thomas Pedersen has studied the role of France and Germany in the European integration process. These two countries have performed a kind of ‘co-operative hegemony’ he suggests (Pedersen, 1998).

Institutions and Leadership in the EU

The contrast between Moravcsik's and Mattli's analyses suggests that some further distinctions may be necessary. Are we dealing with the creation of integration institutions or their later reforms? Or, are we dealing with the making of policy within those institutions and the implementation of those policies? How did the EU try to overcome collective action problems in those four different situations?

Negotiation of original treaties

The first of the original Community treaties, the Treaty of Paris, creating the ECSC, was negotiated by the six original member states in Paris from 20 June 1950 to 18 April 1951. Jean Monnet, who was the intellect behind the Schuman plan of 5 May 1950, which started it all, chaired the conference. Monnet gives an interesting account of the conference in his *Memoirs* (1978). Even if parliaments, industry and trade unions were consulted the conference was an intergovernmental conference. Two members of the French delegations, Etienne Hirsch and Pierre Uri, had prepared a text, which became the basis of the negotiations. Basically, the treaty emerged through the negotiations as representatives from the other future member states suggested changes and additions. Monnet saw the Dutch representative Dirk Spierenburg as the toughest negotiator. It was because of the insistence of Spierenburg that the Council of Ministers was born, including weighted majority voting (Ibid. p. 327). It seems fair to talk about French leadership. Foreign Minister Robert Schuman appeared personally during the conference and he delivered the required parliamentary majority for ratification. Monnet's ideas and tenacity played an important role (Parsons, 2003, pp. 50-66; Haas, 1958, pp. 240-251)

After the plans for a European Defence Community as well as a Political Community failed to be ratified by the French National Assembly in 1954 European integration was re-launched by a meeting of foreign ministers in Messina in 1955. The pro-Community Belgian politician Paul Henri Spaak was asked to chair a committee which would outline plans for a common market (and an Atomic Energy Community) from July 1955 to spring 1956. "Spaak was well suited by temperament and conviction to draft the necessary report. His enthusiasm for integration had already won him the nickname 'Mr. Europe' (Dinan, 2005, p. 32).

An intergovernmental conference started in Brussels on 26 June 1956. It was chaired by foreign minister Spaak (Küsters, 1987). The two treaties of Rome, establishing the EEC and the EURATOM were signed on 25 March 1967. Parsons argues that pro-community French leadership was again important (Parsons, 2003, p. 116). But it would be fair to mention Benelux leadership, too. It was a Dutch politician Johan Willem Beyen who first suggested a plan for a customs union in 1953, and the Dutch kept pressing for a common market as distinguished from more limited sector integration. It was a Beyen-Spaak agreement that led to a 'Memorandum from the Benelux Countries to the six ECSC Countries' which defined the notion of an Economic Community in May 1955 and which formed the basis of the Messina decisions (Monnet, 1978, p. 403). During the IGC bilateral meetings between German Chancellor Konrad Adenauer and French Prime Minister Guy Mollet also contributed to sorting out some of the disagreements in November 1956 and February 1957 (Moravcsik, 1998, p. 144). But writing about the Brussels IGC the French historian Pierre Gerbet says, "L'arbitrage politiques était exercé par le président Spaak" (Gerbet, 1983, p. 213)

Making of common policies

Once the Communities were formed the development of common policies, and joint decision-making in general, took place through what became known as the Community method. The Commission would make proposals. The Council would decide, some times by a qualified majority vote (QMV). Often the Assembly, which became known as the European Parliament (EP), would have to be consulted. And the ECJ would adjudicate. Over time the system changed slowly, especially the European Parliament gradually got more powers. First, in connection with budget treaties in 1970 and 1975 the EP got some real power in relation to the budget. Then the Single European Act in 1987 introduced a cooperation procedure increasing the EP's power in respect to internal market legislation. The following reform, the Treaty of Maastricht, introduced co-decision, whereby the EP got a real right of veto, making it a kind of second chamber next to the Council.

The Commission's exclusive right of initiative in connection with most legislation obviously gave it an agenda setting role. Commission proposals will usually be the focal point of negotiations. The EC institutions can and do play important roles in day-to-day legislation. The Commission remains a key institution. It can help move decisions out to the Pareto frontier, but also influence where, on the Pareto frontier an agreement is found (Hix, 1999; Wallace and Wallace, 2000).

But over time the member states have tried to limit the powers of the Commission. This can be seen from a principal-agent perspective (Pollack, 2003). The Commission does have its own interests that do not necessarily correspond to the interests of the member states. Through the institution of the rotating Presidency of the Council the member states have gradually increased their own agenda control possibilities. And successive Presidencies have played important leadership roles helping to broker deals in the Council or with other institutions, such as the EP. Each Presidency has its own programme now, setting some priorities for the next half year. This, it has been argued, has allowed Presidencies to influence decisions in direction of their own preferences. It has further been argued that member states accept this because it will one day be their turn to hold the Presidency, so there is a kind of diffuse reciprocity (Tallberg, 2006)

Policy implementation

But the Commission has also played an important role as the guardian of the treaty. It has been monitoring the implementation in the member states of EC legislation. Seen from a Prisoner's Dilemma perspective, the Commission is supposed to discover if there is defection on the part of a member state. Defection can and does in a number of cases lead to ECJ cases. In reality the Communities have created a legal system that resembles federal law.

A good example of how this works is the internal market legislation that was adopted after the SEA in 1987 up to the 1992 deadline and beyond. The Commission started issuing annual reports, making lack of implementation very visible. Some member states were better at implementing legislation than others. The laggards were increasingly taken to the ECJ for infringement.

Another area where the Commission has played an important role is competition policy. Be it a company not respecting the competition rules or a member state giving illegal state aid to some company the Commission can impose fines and take the company or state in question to the ECJ.

Treaty reforms

Since the negotiation of the Treaty of Paris in an IGC in 1950-51 and the Treaties of Rome in an IGC in 1956-57 there have been a number of treaty reforms. The first ones, the Merger Treaty of 1965 and the Budget Treaties of 1970 and 1970, were negotiated through the Council and then confirmed in brief IGCs (Smith 2002).

The SEA was negotiated in an IGC during the Luxembourg Presidency from July to December 1985. The Commission had taken part in the preparatory work in the Dooge Committee, sometimes called Spaak II, which prepared this reform. When the IGC started the Commission continued to take part in the negotiations, even if this was not foreseen in article 236 of the EEC Treaty. The Commission's participation was accepted by the member states that had got used to its role in day-to-day business. The European Parliament, on the other hand was not allowed to take part. The Draft Treaty on European Union adopted by the EP in 1984 under the leadership of federalist MEP Altiero Spinelli implied much 'more Europe' than the member states were willing to contemplate at the time. So the EP was only to be consulted.

In the end the Commission played an important role in this first quasi-constitutional IGC (Budden, 2002). More than half the proposals considered during the IGC had been put forward by the Commission (Corbett, 1987). It is probably fair to say that most of the SEA was originally drafted by the Commission. Even if the EP was not directly involved in the IGC it should be recognized that the EP contributed to putting reform on the agenda because of Spinelli's leadership in the EP (Schmuck, 1987).

A number of treaty reforms followed the SEA. First, it was the Maastricht Treaty which established the European Union, followed by reforms in the Amsterdam and Nice Treaties. The IGCs negotiating these reforms were organised on similar lines, member states negotiating, but assisted both by the Commission and the Presidency, the latter further assisted by the Council secretariat. The EP has only been consulted. Many scholars have argued that the Commission played a less important role in the reforms that followed the SEA (e.g. Beach, 2005). Certainly the Presidencies played important roles in producing negotiating drafts and brokering agreements, occasionally playing controversial role such as the Dutch in the second part of 1991 (Wester, 1992) and the French in the second part of 2000 (Schout and Vanhoonacker, 2006). In the IGC that concluded the negotiations of the Constitutional Treaty in 2004 the Italian Presidency had less success than the Irish Presidency (Dür and Mateo, 2006)

Space does not allow for a detailed discussion of treaty reforms.⁴ By definition, intergovernmental conferences have member states as the most important actors. But they are assisted by the Presidency which in turn usually is assisted by the Council secretariat. This suggests that there are negotiation impediments that must be overcome. The Council secretariat has a useful institutional memory. The Presidency can arrange 'confessionals' with member states to try to find the bottom lines and thus locate possible agreements. Occasionally, the

⁴ For more, see Laursen and Vanhoonacker, 1992; Laursen and Vanhoonacker, 1994; Laursen, 2002 and Laursen 2006.

Commission can also contribute to the process (for a sophisticated discussion, see Beach 2005).

Summary

We give a summary of this discussion in table 3. It is clear that the supply of leadership in the EU is considerable. This allows the EU to overcome collective action problems. There is both national and supranational leadership. The development of the Presidency has reduced the role of the Commission somewhat and institutionalised national leadership, which makes it more reliable than *ad hoc* leadership from the member states.

Table 3: Institutions and Leadership in the EU

	Negotiation of the original treaties	Making common policies	Implementing policies	Treaty reforms
Issues	Efficiency and distribution	Efficiency and distribution	Defection	Efficiency and distribution
Institutions	IGCs	Commission initiative Some QMV in Council ECJ	Commission surveillance Commission and ECJ enforcement	IGCs
Leadership	National leadership Presidents of IGCs	National (esp. Presidency) and supranational (esp. Commission)	Supranational	National leadership Presidencies

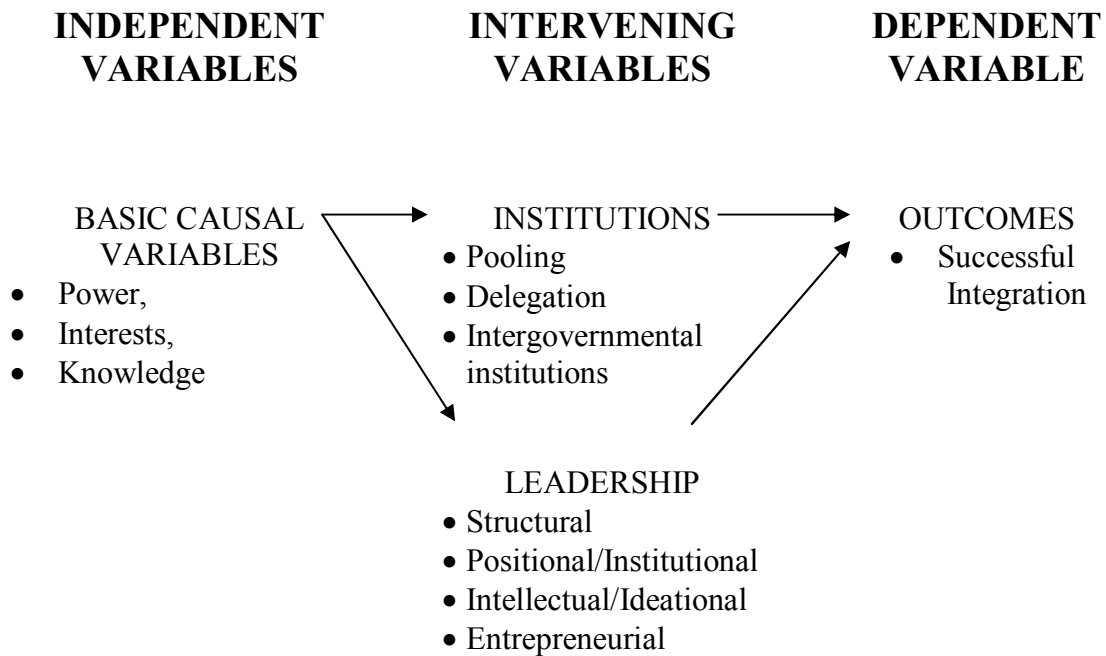
Source: Compiled by the author.

A Comparative Perspective on Institutional and Leadership Requirements

A possible way to look at the relationship between institutions and leadership is to suggest that they both are intervening variables. This would give a basic research design like the one suggested in fig. 4. But it could also be the case that leadership is important in the process of establishing institutions, which would create a longer causal chain. Without going into further discussions of the logic of comparative research the suggestion is that comparison of a number

of regional integration schemes should be able to advance our knowledge of the respective roles of institutions, including in particular supranational institutions, and leadership.

Figure 4: RESEARCH DESIGN: A Modified Structural Model



Source: Compiled by the author (with inspiration from Krasner, 1983, p. 8.) On different kinds of leadership, see Young, 1991, as well as Tallberg, 2006.

The dependent variable, ‘successful integration’, is not easy to operationalize. ‘Freer trade’ would be a start. To what extent do the participants succeed in abolishing tariffs and non-tariff-barriers to trade (NTBs)? But we are also interested in the extent to which they move from a free trade area (FTA) to customs union, common market and Economic and Monetary Union? The EU has moved through these stages, but none of the other regional integration schemes have moved as far as the EU.

Table 4: Institutional capacity and achievements of four integration schemes

	EU	NAFTA	AFTA	APEC
Nature of agreement	Framework treaty: Institutional framework for developing common policies	Law treaties: Specific policy rules the treaties	Framework Agreement Main mechanism: Common Effective Preferential Tariff (CEPT) Scheme	Parallel national action: Voluntary liberalization
Institutional capacity	Pooling and delegation of sovereignty Some Redistribution through structural funds and some common policies (esp. the Common Agricultural Policy)	Under the general NAFTA: No pooling, some delegation in respect to dispute-settlement Under the labour and environmental agreements: Some pooling, but not employed in practice; Some delegation of authority to panels, but used sparingly No redistribution	Under ASEAN in general: Consultation, consensus, no interference in internal affairs ('ASEAN way') AFTA includes 'commitments', some monitoring through intergovernmental bodies and Secretariat Dispute Settlement Mechanism includes some delegation, but not (yet) applied No redistribution, but ASEAN Development Fund is being established	No pooling, no delegation of sovereignty No redistribution
Achievements	Internal Market: free movement of goods, services, capital and persons Economic and Monetary Union (EMU) Several common policies	FTA-Plus: Goods, services, investments, competition: important increases intra-NAFTA trade and FDI Cooperation on labour and environmental issues: minimal effects so far	Accelerated liberalization though 1990s Still some excluded sectors and NTBs Some beginning liberalisation of services and investments	Limited progress towards free trade Early Voluntary Sectoral Liberalisation (EVSL) unsuccessful for sensitive sectors

Source: Compiled by the author. For empirical evidence, see Laursen 2005.

Institutionalization

Table 4 summarises the findings of an earlier paper which looked at four integration schemes (Laursen, 2005). The argument is that ‘institutions matter’. But can this be proven fully? The alternative explanation, leadership, singled out by Mattli as more important than ‘commitment institutions’, should also be tested further by deeper empirical analyses.

The table suggests a relation between institutions and outcomes. Can differences in institutionalization be explained by economic factors – as suggested by Moravcsik? The more intra-trade in a region, the more demand for integration. Based on functionalist reasoning we should then expect institutions to be created. Or do we have to look at values, norms and identity factors, as suggested by social constructivists? Will a sense of collective identity support institutions by making them more legitimate? The third possible explanation is power, including geopolitical factors favoured by realist scholars. But neo-realist Grieco’s effort to explain institutional variation in Europe, East Asia and the Americas by systemic factors was not very successful (Grieco, 1997).

In many ways, we are still looking for answers to these questions.

Leadership

What about leadership then? If we compare the four regional integration schemes some tentative answers can be given about availability of leadership.

Leadership is widely available in the EU. The Commission was originally designed to take initiative and broker agreements. In day-to-day legislation it still can play this role, even if the Presidency starts having an increased role already in the 1960s when some principals, especially De Gaulle’s France felt that the Hallstein Commission was becoming too powerful and opportunistic in pursuing its own goals. Later, with the creation of the European Council in 1974 a vehicle for collective national leadership was created. But other kinds of national leadership have occasionally played a certain role. France played the role of leader when the Schuman Plan in 1950 started the process that led to the establishment of the ECSC. Later the Benelux played an important role in getting the project of a Common Market on the agenda. The Franco-German tandem has played an important role on and off over the years. The Kohl-Mitterrand pair for instance played important leadership roles in connection with the negotiation of the SEA in 1985 and the Maastricht Treaty in 1991.

If we look at NAFTA it is fair to say that the USA has played a leadership role. Mattli mentions the way the United States assisted Mexico in connection with the financial crisis in 1994 as a kind of leadership. But NAFTA clearly has no supranational leadership or institutionalized national leadership.

Moving to the ASEAN Free Trade Area there is clearly a leadership deficit. There is no supranational or institutionalised national leadership worth talking about. The secretariat is quite weak. If we expect the biggest member state to play a leadership role Indonesia is poor and has had domestic political problems. So it has not been able to take on the role of leader. The richest member state Singapore is small, so if we think in terms of structural leadership its role will be limited. This does not rule out some ideational leadership.

Within APEC the USA should be the obvious leader. The first Clinton administration tried, but was not able to get Japan to drop protection of a number of sensitive products. Japan

remains timid in its foreign policies largely for historical reasons. Whether China eventually can take on a role of leader in East Asia remains to be seen, but it would be difficult for China to exert such role in the wider Pacific area given some difficult political issues in US-China relations, including Taiwan and human rights. Historical mistrust between China and Japan also affects the situation.

Table 5: Availability of leadership in Four Integration Schemes

	EU	NAFTA	AFTA	APEC
Supranational leadership	Commission (ECJ) (EP)	None	None	None
Institutionalized national leadership	Presidency (European Council)	None	None	None
National leadership	Franco-German tandem (occasionally)	USA (at the outset)	Limited (Indonesia too weak, Singapore too small)	Limited (occasional US efforts, Japan too timid, uncertain role of China)

Source: Compiled by the author

The summary in table 5 suggests clearly that the EU is much better equipped with leadership possibilities than the other integration schemes. The table also suggests that it is risky business to rely solely on national leadership. It may be available, and it may not.

What we should notice when we look at the EU is the institutional foundation of leadership in the case of the Presidency as well as the European Council.

The relative success of the EU is due both to supranational institutions and the leadership they, especially the Commission, have been able to exercise as well as the role of the Presidency. In a recent study Jonas Tallberg has shown how the Presidency emerged to deal with collective action problems in the EU, specified as agenda failure, negotiation failure and representation failure:

As agenda manager, the chair is expected to delimit and structure the agenda, thus making it negotiable. As broker, the chair is expected to facilitate agreement by sounding out state concerns, formulating single negotiating texts, and constructing compromises. As representative, the chair is expected to act as the external agent of the collective negotiation group, ensuring convergence on joint positions *vis-à-vis* third parties (Tallberg, 2006, 20).

Tallberg's position is intergovernmentalist in the sense that governments can let a government help dealing with collective action problems through the Presidency. But it differs from Moravcsik's position by not seeing decentralized negotiations as 'naturally efficient'. According to Tallberg's rationalist institutionalist perspective "bargaining impediments and transaction costs are normal and ever-present ingredients of the negotiation process and political leadership is in demand" (Ibid., 14).

Concluding Remarks

Scholarship on regional integration faces the challenge of developing more comparative research designs for additional empirical research. Back in the early years of integration studies Nye presented a comparative study (Nye 1971). More recently Mattli has done so, too (Mattli 1999). But most studies are single case studies or comparisons of a couple of integration schemes.

We have suggested that more detailed comparative studies of the role of 'commitment institutions' and leadership would be useful. Have second generation integration schemes turned out to be as resilient as predicted by some scholars in the early 1990s? Or will they slip back as happened to many integration efforts in the 1970s? On this fundamental question the jury is still out.

The tentative conclusion of this paper is that leadership plays an important role in overcoming collective action problems. Pooling and delegation of authority can be a great help in overcoming these problems. But national leadership has also been important in the process of forming the European Communities and later on in their development. The institutionalisation of national leadership in the Presidency of the Council has turned out to be an important ingredient of the success of the European Communities. As a matter of fact, much of the supply of leadership in the EU today is institutionalised through the Presidency as well as Council Secretariat, Commission and EP. Mattli's focus on leadership as regional paymasters gives another important factor, but it is too narrow. This should be enlarged to mean a common budget that allows the common institutions to deal with equity or distribution issues that form an important part of collective action problems. It is not unimportant that 'social and economic cohesion' was included in the SEA when Spain and Portugal joined the EC in 1986. Later on roughly one-third of the EC budget has been spent on the structural funds to assist poorer regions within the EU. On all these points the experiences of European integration provide a lot of lessons for other regional integration schemes in the world.

Even if the exact relationship between institutions and leadership may still be open to debate it seems safe to say that a good combination of institutions, leadership and financial means can help overcome collective action problems and make regional integration successful. Institutionalizing leadership by delegation to a supranational agency or a Chair of an intergovernmental body can increase the chance that leadership is available when needed. This will contribute to making commitments credible.

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