Regions in European Governance: The Logic of Multi-Level Interaction

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ABSTRACT

The rise and integration of the regional level in the EU multi-level system carries the danger of institutional stalemate, notably by setting the "joint decision trap" (Scharpf). Based on comparative empirical research on different types of regions (less developed, peripheral regions vs. central city-regions) in both France and Germany, it is argued that the danger of deadlock in a multi-level framework with a high number of participants and interdependent arenas of policy-making can be successfully circumvented. Concerning the intergovernmental dimension of regional development policies, it is shown that the dynamic differentiation of decision-making structures as well as a balanced mixture of different modes of governance (cooperative networks, hierarchy and competition) can provide viable escape routes from potential deadlock.

KEY WORDS: Regions, Multi-Level Governance, interorganizational relations, regional development, France, Germany
For quite some time now, the study of subnational political representation and mobilization in the EU has served as a rich source and stepping-stone for theoretical development in European integration studies (Marks 1993, Hooghe 1995, Marks/Hooghe/Blank 1996). With the progressive up-grading of the regional level in the European policy-process, the regional dimension has attracted more and more scholarly attention. Empirical studies of subnational political action in the European context helped to advance a novel concept of European policy-making, namely “multi-level governance”. This framework emphasizes power-sharing between levels of government, with "(...) no centre of accumulated authority. Instead, variable combinations of governments on multiple layers of authority - European, national, and subnational - form policy networks for collaboration. The relations are characterized by mutual interdependence on each others’ resources, not by competition for scarce resources (Hooghe 1996: 18)."

Some authors view the multi-layered character of decision-making as a more general feature of European governance (Marks 1993, Scharpf 1994, Grande 1996, Kohler-Koch 1996). Their ambition is, on the basis of the multi-level feature, to carve out new theoretical ground between the two large contenders of Integration Theory, i.e. liberal intergovernmentalism (Moravcsik 1993) on the one hand, and different strands of neo-functionalism on the other hand (for a recent reformulation Stone Sweet/Sandholtz 1997).

While more and more scholars tend to subscribe to and use some concept of multi-level governance, the concept itself remains ill-defined. Particularly, within this framework, few empirically based propositions about the actual workings of territorial multi-level governance in different national and policy contexts have been advanced and tested (for an exception see Smith 1997). This paper seeks to contribute to a better understanding of the underlying logic and the diversity of patterns of European multi-level governance. It is based on comparative empirical research on two types of regions in both France and Germany.

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2 This paper presents the results of a collaborative research project on “Institutional Development and Regionalization of the EU”, which was part of a larger research group on processes of Europeanization at the University of Konstanz. The project on regionalization was directed by the two authors, jointly with Gerhard Lehmbruch. Susanne Ast and Albrecht Frenzel executed most of the empirical research. The two authors provided some additional research on regional development policies in the German Land of Sachsen-Anhalt and on regional innovation policies in France respectively. A first version of this paper was presented at the Robert Schuman Centre, EUI, Florence, in April 1998. Our thanks go to the members of the research team and to Tanja Börzel, Yves Mény, Thomas Risse and Fritz W. Scharpf.
The paper is organized as follows: The first section presents how our research on regional adjustment processes relates to theoretical concerns with EU multi-level governance. Starting from the hypothesis of a joint decision trap exposed by Fritz W. Scharpf (1988) a theoretical perspective on the dynamics of multi-level interaction in the EU context is outlined. The following sections contrast multi-level arrangements in less developed regions arising in the context of Structural Funds Policy ("positive integration") with those emerging in the case of city-regions subject to economic competition in the Common Market ("negative integration")\(^3\). Our empirical studies show overlapping restructuring and adjustment processes both in the vertical relations between European, national and regional institutions and horizontally on the regional levels themselves. These processes vary between different types of regional policies. Comparing federal Germany with unitary-decentralized France across both policy-settings (structurally weak regions versus city-regions), national variations of the dynamics of multi-level governance will also be revealed. National institutions can either advance or constrain adjustment processes. The conclusion summarizes the main results and provides an assessment of the lessons to be drawn for European multi-level governance. The main argument is that the danger of deadlock in a multi-level framework with a high number of participants and different interdependent arenas of policy-making can be successfully circumvented. The differentiation of decision-making structures, notably by way of "loose coupling" of arenas, and a balanced mixture of different modes of governance (cooperative networks, hierarchy and competition) provide avenues to avoid deadlock in intergovernmental relations.

1. THEORETICAL FRAMEWORK

1.1. Regionalization of the EU and the Joint Decision Trap

Our starting point was the observation that European integration challenged domestic patterns of territorial interaction and regional policies. This perspective feeds into a fast-growing literature on the Europeanization of domestic structures.\(^4\) Two central European challenges to the territorial fabric on the member state level were identified: a) the challenge of market competition, i.e. regional competition for investments and jobs in the Common

\(^3\) For the distinction between negative and positive integration see Scharpf 1996.

\(^4\) The most comprehensive and recent attempt is a transatlantic research project, launched by James Caporaso, Maria Green Cowles and Thomas Risse on Europeanization and Domestic Change (see Caporaso/Green Cowles/Risse 1998). For a conceptual approach to Europeanization see Olsen 1995.
Market, and b) the challenge of political representation and coordination, i.e. regional development policies being increasingly shaped by and included in European decision-making processes. Both challenges presumably require structural and procedural adjustments concerning the competitiveness and effectiveness of regional policies, the representation of regional interests and the interplay of different levels of government.

Although one might suppose a great variety of linkages between the Europeanization process and regional adjustment processes, this study started with the rather simple assumption that there is a two-fold pressure for regionalization of EU policies and structures, at least in those policy domains with a clear territorial dimension: a) from below, i.e from the regional level seeking participation in European policy games, and b) from above, i.e from the European Commission looking for partners and support for territorial and other policies.

Given this pressure for regionalization, the following question arises: If at all, in which particular way are regions integrated into the multi-level fabric of decision-making without causing joint decision traps, or institutional deadlock in general, in complex structures and processes? Put more broadly: in which way does the EU system deal with pressures for regional representation and participation while maintaining some level of system effectiveness?

The underlying puzzle is of importance for the entire realm of EU studies. The puzzle is the following: There seems to be a growing consensus among scholars that the EU is best described as a loosely integrated multi-level system of governance characterized by fragmentation and complexity (Jachtenfuchs/Kohler-Koch 1996, Héritier 1996, Marks/Scharpf/Schmitter/Streeck 1996, Richardson 1996, Wallace/Wallace 1996). One dominant way of looking at this “fragmented polity in the making” is to stress the element of ever increasing linkages and interlacing between levels and arenas of policy-making. The growth of interlacing is said to imply two sets of negative consequences. First, opaqueness of decision-making and a consequent lack of political accountability, contributing to the famous democratic deficit. And second, creeping stalemate or deadlock, best captured by the model of the joint decision trap developed by Scharpf.

According to this theory, the policy-making in the EU consists of a pattern of intergovernmental negotiations, which reduces the freedom of national and regional governments to act unilaterally without providing a European central institution with the power to lead. The institutionalized obligation to co-operate forces governments to adopt conflict-reducing
strategies, which allow only incremental changes and compromises with, at best, marginal redistributive effects. The joint decision system favours the beneficiaries of the status quo and is likely to block all reforms (Scharpf 1988; Scharpf 1997: 144).

However, the gloomy picture of deadlock sits oddly with much recent empirical research which stresses the dynamism, success or even problem-solving capacity of European policy-making in diverse policy fields (Eichener 1992, Sbragia 1996, Héritier 1997). Adrienne Héritier (1998: 1) recently pointed to this quite paradoxical “simultaneity of deadlock and development” in the European Polity.

While to some extent, these “success stories” can be accounted for by variations between policy fields and adjacent institutional policy-making design, it nevertheless calls into question the popular picture of the EU as an interlocked “policy jungle” necessarily prone to stalemate. Indeed, a closer look reveals that, in today’s EU policy-making, there is very little reason to expect a strict joint-decision-trap style of deadlock of the kind denounced by Scharpf. The main reason for this is that Scharpf’s Politikverflechtungsfall was developed in the specific context of German federalism, and that Scharpf extended this logic to the European level at a time when European Integration was much less advanced, that is before the Single European Act and the Maastricht Treaties.

As Scharpf himself explains in his recent book (Scharpf 1997: 143-145, 192), the German-style joint decision-making system (Politikverflechtung) should be viewed as a specific sub-set of systems of negotiation. This system is characterized by some very specific conditions. In particular, it assumes that the only actors involved are executives which are controlled by parliaments and are thus subject to the logic of party competition. As a result, only conflict-minimizing, non-redistributive, and little innovative solutions can be reached. Moreover, in his set-up, no actor enjoys a leading or entrepreneurial position, and nobody can exit from the negotiation arena. Although Scharpf (1985: 350) asserted that the two-level logic of the joint-decision trap would also hold in a context with more than two levels, this assumption should not be taken for granted.

5 And, within the German case, there was a narrow focus on bargaining processes between Bund and Länder executives in the field of the so-called “joint tasks”, which involve joint federal-regional planning committees.
It is quite obvious that the European policy-making system lacks all these conditions for German-style *Politikverflechtung* (Richardson 1996, Wallace/Wallace 1996). Decision-making involves a great variety of actors, and not only executives, and some actors like the European Commission clearly play a privileged and entrepreneurial role (Héritier/Knill/Mingers 1996). While in many instances there is also a need for consensual agreements with no exit-options, these patterns are complemented by more flexible arrangements of cooperation involving more than just the executive branches. Most importantly, the EU is composed of several, differently organized negotiating arenas across more than two levels. The inherent tensions arising from the conflicting operating logics of different arenas and levels creates instability. At the same time, however, this instability triggers and drives restructuring processes which can prevent deadlock. Actors in established systems of joint decision-making will seek to limit the access of new parties. But pressure for participation exercised by “externalized” third parties might destabilize established patterns of joint decision-making and be a force of change. This is not to say, however, that there is no longer a danger of deadlock. Rather, the potential sources of deadlock and the ways to circumvent it need to be reassessed, going beyond the narrow joint decision-making framework.

1.2. Dynamic Restructuring Processes in Multi-Level Systems

It is true that important EU institutional reforms, such as the partial transition to majority voting, substantially alleviated the danger of deadlock and explain policy innovation. However, concerning intergovernmental relations between the European, national, and subnational levels, the argument is that “dynamic restructuring processes” were much more important. When talking about dynamic restructuring processes, the idea is that organizations react and adapt to changes in the emerging multi-level system, both in their internal composition and their external relationships.

Our study concentrated on adjustment processes at the regional level. These adjustment processes have two dimensions. First, within regional entities or horizontally, divisions and conflicts between different politico-administrative units and between public and private actors have to be overcome in order to mobilize regional resources and potential for action. Second, and in a vertical perspective, specific regional interests need to be formulated and mediated in the intergovernmental arena vis-à-vis other tiers of government. There is a certain tension between these two logics, similar to the tension between the “logic of membership” and the “logic of influence” in associations (Schmitter/Streeck 1981). The first dimension requires the broad, encompassing participation of all relevant regional actors (logic of membership), while the
second, in contrast, requires substantial autonomy of regional representatives from their regional membership base (logic of influence).

As far as the second, vertical dimension is concerned, European regions have increasingly sought to lobby at the European level, defend their interests, and, more generally, to increase their level of participation in European decision-making (Benz 1993, Hooghe 1995, Kohler-Koch et al 1997). Many observers expected these "vertical activities" to increase the degree of interlocking politics accordingly. This did not happen for the simple reason that there are structural limits to the coupling of multiple arenas.

First, there are limits imposed by transaction costs and procedural complexity, which make an extension of the number of actors participating in intergovernmental negotiations impossible. "System effectiveness", the backbone of EU legitimacy (Lindberg 1963, Scharpf 1998), would suffer badly if national representatives were to be joined by regional representatives. Second, decision rules between different arenas might be incompatible. The classical tension, well-known from the German federal system, is the one between party competition and executive bargaining (Lehmbruch 1976). If the regional level was granted access to the negotiating table, this tension would be exacerbated by the problem of how to channel broadly concerted regional interests into the narrow pipe of executive bargaining between member state governments. Hence if, for instance, the Committee of the Regions were to be given co-decision rights, European policy-making might be seriously stalled. This problem arises also, as regional policies, which should be coordinated with the European policies, are supposed to be formulated in processes of intra-regional bargaining and co-operation.

Because of these limits to the extension of arena coupling (Benz 1992), regional adjustment activities will tend to lead to dynamic processes of restructuring. The literature on organizations and on interorganizational negotiations indicates two routes to prevent tendencies for deadlock in interorganizational relations. The first one consists of a hierarchical-sequential ordering of arenas, whereby upper-level decisions work as binding corridors for lower-level decision-making. However, this can only work if tasks can be subdivided, and if higher-level decisions leave some room for autonomous decision-making on the lower levels (Simon 1978). Otherwise, centralization with all its negative consequences prevails.

The second route involves a flexible dissociation or decoupling of external relations from intraorganizational bargaining during the policy-making process. The strategy of "isolating the membership of the organization"
(Walton/McKersie 1965: 351) is a well-studied phenomenon in international negotiations (Evanson/Jacobson/Putnam 1993). "Decoupling" is an option for agents located at the boundaries of organizations and who are authorized to manage interorganizational relations (Lax/Sebenius 1986). They may enjoy "overlapping membership" and may thus be able to act in and link multiple arenas together. These agents provide patterns of "loose coupling" (Weick 1985), which perform interorganizational or inter-arena linkages and coordination between simultaneously operating arenas of negotiation. Their power does not rest on formal responsibilities for decision-making but rather on the exchange of information and informal contacts. These modes of informal mediation exhibit several crucial advantages: they are able to circumvent rigidities of formal decision-making by informally linking arenas and problems; they can mobilize the power of policy ideas; they can give expertise-based policy entrepreneurs a better chance to overcome deadlock; and finally, they can introduce elements of competition between arenas as a way to foster innovation.

2. DESIGN OF EMPIRICAL RESEARCH

These larger logics of interorganizational linkages provide a useful conceptual perspective on the empirical study of the regional and territorial dimension of multi-level interaction. Our focus was on policies with direct territorial implications, namely regional development policies, which offer a complete picture of vertical differentiation in the EU multi-level framework.

The central goal was to understand how patterns of territorial interaction and regional policy-making adapted to the challenges of Europeanization. Departing from a policy-oriented institutionalism, it is to be assumed that the nature and direction of regional adjustment processes would crucially depend on two factors: First, on the national institutional context of territorial organization and second, on the specific nature of the regional policy problem. Therefore, cases from different member states were chosen and included, in each case, both a structurally weak and peripheral-rural region, and a centrally located and better developed city-region.

On the first, national-institutional axis, the focus was on variation in the federal-unitary continuum. Germany was selected as a federal country, while France provided the experience of a decentralized -- though still unitary -- country. Concerning the second dimension of problem-specificity, it is important to note that, in contrast to many other approaches, the research presented here is based on a multi-dimensional definition of the "region" (Pintaris 1995). This definition does not only cover political or administrative
but also socio-economic units and entities. It is the inherent tension arising from the incongruity between politico-administrative and socio-economic boundaries which drives much of the dynamics of regional adjustment processes.

The two types of regions selected are differently affected by Europeanization. City-regions are supposed to develop growth strategies in a market-driven context of competition, while less developed, peripheral regions are supported in their developmental strategies by a political logic of cohesion. For city-regions the challenge of Europeanization is three-fold: to create viable region-wide institutions which can overcome the distributional conflicts between the central city and the smaller municipalities, and to foster public-private partnerships; to improve cooperative links with other city-regions; and to develop vertical links to those regional, national and European authorities responsible for infrastructural policies. For regions eligible for EU Structural Policy funding, it is vital to devise procedures in order to improve vertical coordination between European and regional planning and, horizontally, to build up and foster intraregional partnerships. To cover this kind of variation the following regional cases were selected: In Germany, the conurbation of Stuttgart was contrasted with rural North-East Brandenburg, while in France, the city-region of Bordeaux and Interior Brittany were studied (Ast 1998, Frenzel 1998).

Our study revealed that regionalization did not add to institutional disorder and deadlock. Instead, it produced “dynamic restructuring processes” of intergovernmental relations. Beyond the theoretical framework, it was found that these involve not only both coupling and decoupling of arenas and levels of policy-making, but also include other modes of governance, namely competition, hierarchy, and networks. It was this complex differentiation process of decision-making structures, so the main argument runs, which allowed for the integration of the regional level in the European multi-level fabric.

3. THE CASE OF LESS DEVELOPED REGIONS: COORDINATION, COOPERATION AND RESTRUCTURING PROCESSES IN EUROPEAN STRUCTURAL FUNDS POLICY

Since in 1988 a reform introduced new implementation procedures for the structural funds, the Structural Funds Policy has become a widely-studied paradigm case for multi-level structures in the EU context (Heinelt/ Smith 1997; Hooghe 1996, Marks 1993, Staeck 1997; Smith 1997). This reform introduced a
complicated multi-level policy-making, which is characterized by the following attributes:

• The first improvement concerns the coordination of different structural funds and aims at implementing an integrative approach to policy-making. Different sectoral grants are allocated on the basis of a single scheme.

• An item of reform is supposed to improve vertical intergovernmental coordination: The reform introduced the partnership principle which gives regional actors an effective role in decision-making on the deployment of available regional policy grants. Subsidies to selected regions are granted on the basis of development plans and operational programs, which are to be elaborated on the national and regional levels. These have to be approved by the Commission, which integrates them in the Community support framework.

• In addition, all projects which are supported by the EU have to be cofinanced by national or regional governments. EU regional policy can be characterized as a system of joint finance linking budgetary policies of different levels of government.

• Finally, rules for structural funds require that regional administrations include public and private actors into the decision-making process in order to achieve broad support of policy goals and to gain comprehensive information on development potentials. Thus, the EU encourages the emergence of regional policy networks.

Many studies of multi-level structures in Structural Funds Policy explore and describe intergovernmental linkages in terms of network structure, not in terms of arena linkages (Heine1t/Smith 1996, Kohler-Koch et al. 1997), and they stick to the narrow definition of a region as a politico-administrative unit. A closer look at the anatomy of European Structural Policy reveals that the European, national and regional levels are not comprehensively intermeshed. Instead, there is a considerable degree of vertical and horizontal differentiation. The policy-cycle is divided into distinct sequences with corresponding arenas.

The first characteristic is a certain institutional separation of decisions related to distribution and redistribution of decisions on development policies. Decisions about the overall, interregional distribution of funds are made on the European level by the Council of Ministers -- as far as the framework of funding and principles for distribution are concerned. To be sure, regions can pressure their interests through different channels (national governments, Committee of the Regions, European Parliament), and other actors can play an
important role on behalf of the regions, in particular the European Commission with its agenda-setting power. But in the end, regions are decoupled from decision-making on the basic framework of regional policies (if they do not participate in the Council instead of national governments) -- and it would be highly disruptive for negotiations between member states to subject national executives to veto at the regional level.

Regions come in at the second stage of the policy-cycle when decisions are made on how to spend the money for different projects. General Regional Development Plans and Operational Programs for specific regions are drawn up by national and regional authorities, on which basis negotiations with the Commission are engaged. These should create triangle relationships between the Commission, national governments and regional authorities. A further dimension of intertwining are intra-regional partnerships between the different public and private, regional actors which are encouraged by the Commission to mobilize regional endogenous potential. The intergovernmental and the intraregional arena are closely linked by the common concern about regional development.

While the negotiation between the Commission, national and regional governments on development plans and programs might be burdened by conflicts over strategies for regional policies and over resources, the linkage of intergovernmental and intraregional negotiations could create the danger of a multi-level deadlock, i.e. decisions in one arena constrain decision-making in another arena. But this does not happen due to processes of structuration of multi-level governance in regional policy. These processes are determined by the institutional structures on the member state level.

In Germany, European funding was integrated into the domestic pattern of joint decision-making in regional development policies (Nägele 1996, Staeck 1997). The Federal-Länder “Joint Task” of Regional Development (instituted in 1969) was the prime example for the much criticized joint decision trap, with little capacity to adapt. European developments challenged this structure quite dramatically. First, the EU control of state aids affected domestic regional policies. Second, and much more important, after the German re-unification, the five Länder of East Germany were then included in EU structural funding.

The strong pressure of European requirements (and of the German re-unification) did not lead, as one might have expected, to a substantial reform of joint decision-making structures. Instead, pressures seem to have been converted into efficiency and planning improvements of the traditional pattern, which was rather stabilized than fundamentally challenged. Spending is now
focused more on integrated regional concepts; and some European concepts of regional development, such as the strong emphasis on the notion of "endogenous potential", were adopted (Voelzkow/Hoppe 1996). Stream-lining instead of overhauling the system - this seems to have been the leitmotiv. European structural funding was fused with the traditional pattern of joint regional planning and development, and only later, was there a partial decoupling of Bund-Länder and European funding.

This absorption of European Structural Policy by national patterns has two consequences. First, arena linkages between domestic and European funding are quasi-monopolized by the Länder Ministries of Economics, which exercise "boundary control", since they operate at the interface of domestic and European regional policies. In addition, there are strong bureaucratic linkages between the federal and Land level, which carry crucial disadvantages, notably a strong sectoralization of the policy-process and ministerial budget-maximization, to the detriment of bottom-up and intersectorally coordinated regional policies.

The loosers in this game are the regional actors involved in horizontal regional development (local authorities, associations, public-private partnerships), who do not enjoy independant access to the European level. Even with the recent partial dissociation of domestic and European funding, there is little hope for a distinct, coordinated and cooperative regional policy approach in economically peripheral regions like the Uckermark in Brandenburg -- at least as long as the Joint Task's federal-Länder-networks prevail. Under this condition, there is no alternative to a separation of inter- and intragovernmental cooperation.

In France, the initial constellation can be characterized as a rather weak, informal form of cooperative, intergovernmental policy-making, in which personalized networks of political and administrative actors play a crucial role in "system integration" (Grémion 1976, Mabileau 1994). In the 1980s, the traditional intergovernmental fabric was fundamentally challenged by both domestic decentralization reforms and the rise of European Regional Policies (Mény 1987, Loughlin/Mazey 1995, Eberlein 1997). Since decentralization upgraded subnational authorities to fully-fledged levels of government, it created some more formal intergovernmental links, mostly in the form of contracts. The so-called "planning contracts" drawn up between the State and the Regions serve as a new institutional device for regional planning and development. European funding is integrated into these regional planning contracts.
In spite of this trend of formalization of intergovernmental linkages, traditional patterns of informal linkages between local and regional officeholders, state bureaucrats and national policy-making were not uprooted. They continue to serve as flexible devices for the mediation of territorial interests. Hierarchical steering mechanisms below the national level, by way of contrast to the powers of the German Länder vis-à-vis local authorities, do not play a major role. This is because all subnational units enjoy equal legal status. There is no systematic subordination of the local to the upper-tier level.

At the interface between the European and regional arenas, state agencies continue to play an important role. It is not a formal-hierarchical role, but one of mediation, gate-keeping, and boundary control (Balme/Jouve 1996). On the national level, the regional planning agency DATAR performs some crucial coordinating functions. *Sur le terrain*, regional prefects have acquired a strategic mediating position coordinating regional interests. However, regional constellations seem to vary quite a bit. Due to the higher degree of informality, there is more room for regional variation in terms of subnational “empowerment”, depending on the specific cultural or economic regional context, or the skills and ambitions of political leaders (Smryl 1997). This less formalized interaction structure helps, as a rule, to integrate regional, cooperative public-private networks into the vertical multi-level set-up.

To summarize, the traditional French pattern of cooperative regional policy-making based on informal linkages seems to allow for a more flexible adjustment to the requirements of European multi-level governance than the more formalized German system. The traditional system of personalized networks cutting across different governmental levels, thus ensuring coordination, could more easily be adapted to the European pressure. Nevertheless, despite the differences in institutional structures, we can observe some common patterns of adjustments to multi-level governance.

One the one hand, the costs of loosing European funding -- which is only forthcoming if regional and national actors can agree on viable plans -- rises the “default condition” in cooperations both between levels and in the regions. Therefore, regional actors accept the leading role of a national institution or a regional agency. Moreover, the quality of policy-making in the EU is stimulated by a certain competition for funding. In regional policy, the EU funding rules merely determine whether a region is eligible. The amount of grants to individual regions depends on the quality of programs and the effectiveness of coordination.
On the other hand, the specific dynamics of arena linkages can prevent or circumvent potential deadlocks. This point can be broken down into three more specific strategies:

• Firstly, the arena of intra-regional partnership might be functionally or institutionally separated from the intergovernmental arena. For example, in the German case intra-regional partnerships are fostered in regional entities below the Land level. It is the Land level, which in turn, controls the intergovernmental arena, i.e the negotiations over development schemes with the federal government, in the context of the “Joint Task“ of regional economic development, or in negotiations with the European level.

• Secondly, the different arenas might be linked by informal, personalized contacts which can circumvent formal rigidities and thus deadlock. This constellation can be found in the French case, where politicians and bureaucrats mediate informally between different levels and arenas of government.

• Thirdly and finally, agents at the boundaries of arenas can act as policy-brokers. In Germany, the federal or the Länder Ministries of Economics serve as go-between actors, while in France this role is being performed by the regional prefects and the DATAR.

Of course, all this does not mean that European governance in regional development policy is without problems (e.g. implementation deficits or unintended outcomes of subsidies to firms). It is merely being argued that it does not end in stalemate and may produce satisfactory solutions.

4. THE CASE OF CITY-REGIONS: INTERREGIONAL COMPETITION, COOPERATION AND RESTRUCTURING

Intergovernmental relations in city-regions differ from those in less developed regions simply because there is no formal EU policy for conurbations or city-regions. Cities play a role in some European infrastructure projects like the Transeuropean Networks of Communication and Transport, or in urban social and employment policies, while the financial support of infrastructure policies - as part of Cohesion policy - goes mainly to peripheral regions. European regional planning policies are, at best, in their infancy. A first, non-binding European regional planning document was only drafted and signed in 1997. In sum, city-regions are hardly explicitly targeted by “positive” European regional policies.
However, cities are subject to the negative-integration logic of market competition. Europe is widely being perceived as a major challenge by the city-regions (Frenzel 1998). While these areas tend to benefit from the concentration effects of economic development, they also see a strong need to compete for investments and jobs by pursuing ambitious regional developments projects, mostly in the fields of infrastructure and high-technology.

Faced with this challenge, city-regions have two main tasks. First, they need to achieve an intra-regional, mobilizing consensus on their developmental projects. One important aspect is intercommunal cooperation, which is often hampered by distributive conflicts and political rivalries between central cities and suburban local governments. Furthermore, the involvement and mobilization of private actors is a crucial prerequisite for developmental projects.

Second, city-regions need to organize external interest representation and cooperation. There is the horizontal aspect of cooperation with other European city-regions, which allows the development of skills and the exchange of experience. Sometimes partnerships with other regions provide access to European funds, as the Commission seeks to encourage these inter-regional and inter-city networks (Füchtner 1997: 48-55). Then, there is the vertical aspect of interest representation vis-à-vis higher levels of government. This latter dimension, however, is much less developed than in the case of regions eligible to Structural Policy funding.

The first task is not only the most important, but also the most difficult one. In any given city-region it is particularly difficult to overcome internal divisions and distributional conflicts between the main city and the peripheral municipalities, and to reach a broad regional consensus on a strategy for external interest representation (for an example see Eberlein 1996). Again, we have a potential source for stalemate and deadlock, which may not only impede on regional problem-solving, but may also obstruct efforts to integrate a region in the EU policy framework because representatives of the region, who act in intergovernmental relations with the EU and other regions, lack the support of their regional “constituency”.

However, our case studies reveal that the risk of blocage is substantially defused by changes both in intra-regional and intergovernmental structures of cooperation. As in the case of EU regional development policy, the capacity to adapt the political system of individual city-regions to the emerging multi-level set-up is largely determined by national institutional patterns. In both France and Germany this capacity hinges upon the specific qualities of the cooperative,
intergovernmental policy-making structures. The case of city-regions reveals a “weak state” in unitary France, and strong (Land) state leadership in federal Germany.

In both countries, political and economic elites perceived a strong European challenge, which called for the mobilization of regional potential in the competition for investments and jobs. Bordeaux and Stuttgart, which are the fifth-largest agglomeration in their countries, experienced, starting in 1989, severe local economic crisis. There was a dramatic loss of jobs in the most important industrial sector, the arms industry, which highlighted the need for an economic strategy of revitalization. In both contexts, the presidents of the regional Chamber of Industry and Commerce led the plea for a coordinated economic effort. In the French case, Paul Glotin pushed the project of Grand Bordeaux, a metropolitan area of 400,000, up from 220,000, in the city of Bordeaux. In the German case, Hans-Peter Stihl joined Stuttgart’s Mayor Rommel to advocate a regional district, comprising 2.6 million inhabitants, instead of 600,000 in Stuttgart alone. The common problem was how to find an agreement between the central city, which represents only 25% of the population in the entire agglomeration, and surrounding municipalities. The common idea was to centralize some of the regional planning and economic development functions at a new upper-tier level.

In the Stuttgart case, this initiative was successful (Frenzel 1998). In February 1994, the Landtag, the Land parliament, passed a law designed to improve the cooperation in the region and instituting the “Verband Region Stuttgart”. This new structure, comprising a directly elected regional assembly, enjoys enlarged competences in the fields of economic development and regional transport as well as powers of intervention vis-à-vis local authorities in the area, notably concerning the crucial domain of land planning. The declared goal of the Parliamentary Act creating the new structure was to “strengthen the position of the Stuttgart Region in European and international competition”.

The success story of Stuttgart, which has given stimulus for reforms in other German city-regions, should not conceal the fact that in many other cases attempts at creating new regional structures below the Land level failed. In part, this is due to the fact that many economic regions in Germany cut across the boundaries of two or more Länder, which makes cooperation much more difficult to achieve than within a single Land (Benz 1992; Scharpf/Benz 1990). The cases of the City-States (Länder) Berlin, Bremen and Hamburg pose a particularly daunting challenge for cooperation across boundaries without a single Land government being able to implement reforms. Also, the particular set of incentives for regional cooperation and mobilization differ from Land to Land, but may also be differently influenced by national and European policies.
Finally, particular regional traditions and differences in regional skills and leadership may affect the likelihood of success or failure.

Nevertheless, the Stuttgart case shows that in the German context, Land leadership can play a crucial facilitating role. It is indeed the strong position the German Länder enjoy with regard to institutional reforms on the subnational level which accounts for much of its success. In the Stuttgart case, intercommunal cooperation emerged, so to speak, “in the shadow of hierarchy” (Scharpf 1997: 197-205), and was buttressed by state intervention. A new regional body was created against the resistance of many municipalities of the area. However, the regional body serves, above all, as a vital forum for the exchange of information, the definition of regional interests, and the mobilization of regional actors. Beyond the formal structure, informal regional development networks were thus encouraged.

In contrast, in the French case of Bordeaux the resistance of peripheral municipalities to the strategy of a Grand Bordeaux prevented the emergence of a formalized and centralized developmental strategy and structure. The Mayor of Bordeaux was not willing to jeopardize the existing network of cooperation with the small municipalities in the region, on which his own power is partly based. Only a very limited agreement to reinforce cooperation between the region, the département, the communauté urbaine and the Chamber of Industry and Commerce emerged. The existing structure of intercommunal cooperation, la communauté urbaine de Bordeaux, was not challenged.

How to explain this divergent development? The central state in France is very reluctant to use its formal powers of administrative reorganization, so as not to antagonize powerful local interests which are well entrenched at the very center. The local “colonization” of the center works through personalized local-central networks, the accumulation of local and national offices and the Senate, which acts as the national spokesbody for small municipalities (Mabileau 1994). A major reform like the top-down introduction of intercommunal structures for the major urban centers in 1971 (communauté urbaine) was not envisaged as a response to the challenge of Europeanization.

However, even in France, there is now a vast debate on the need to reform and reinforce upper-tier, intercommunal cooperation. And some steps, for example concerning the introduction of a common rate of taxation for all businesses in an urban-economic area, have been introduced. Finally, it is important to acknowledge that in many other cases, sub-regional, intercommunal cooperation was highly successful, often due to strong mayoral leadership. Also, different regional traditions and economic contexts impact the
chances for successful mobilization. In this respect, the failure of the two seaport towns, Bordeaux and Marseille, to develop policies for regional competitiveness can be usefully contrasted with the much more dynamic and cooperative policies implemented in the capital of "consensual" Brittany, i.e. in Rennes (Le Galès 1993). In some of the more successful cases, existing inter-local structures like the district, were used to advance concerted regional development strategies, like in Rennes and Montpellier (Eberlein 1996). In sum, the French picture concerning horizontal cooperation is mixed, with both failure and success, and important regional variation.

As far as the vertical dimension is concerned, the more "hands-off" and informal approach of the central government in France allows local and regional authorities to develop more direct linkages of information and lobbying to the European level, even if they are not very effective channels of interest mediation. In the German case, however, the Länder governments continue to monopolize subnational access to the European level. Regional and local authorities below the Land level tend to be decoupled from the European multi-level game.

Despite the differences between the French and the German cases, we can identify some conditions which allow for successful integration and adjustment to the European framework:

- First, the strong pressure of European economic competition which is felt in city-regions helps foster internal activities to overcome blocage.
- Second, higher-level governments can supply incentives or intervene in order to secure institutional adjustments, which holds true for the German case.
- Third, and again most importantly, a certain separation of intraregional from European policy-making reduces the likelihood of overloaded coordination processes. City-regions, even in the infrastructural policy areas with a direct impact on their competitive position (roads, railways, etc.), are decoupled from vertical arena integration. Vertical, intergovernmental policy coordination does not reach down all the way to the city-regional level, but normally stops at the upper subnational level, with the German Land government or the French mayors of large cities, who occupy multiple positions in the intergovernmental system, mediating between both arenas. This can alleviate dangers of deadlock or incompatibility of interaction logics, while reducing the scope of regional participation.
5. SUMMARY AND CONCLUSIONS: THE LOGIC OF TERRITORIAL MULTI-LEVEL GOVERNANCE IN THE EU

The process of Europeanization poses a formidable challenge to territorial structures on the member state level. At the same time, pressures for regionalization of EU structures and processes raise the question of how the regional level is being integrated into the EU institutional fabric without increasing the likelihood of joint decision traps or deadlock. Though the classical joint decision trap denounced by Scharpf has lost much of its relevance for today’s European policy process, it is still true that the danger of deadlock rises with the number of actors and/or arenas coupled in the decision-making process.

Our study suggests that, concerning the intergovernmental dimension of regional development policies, there are ways to successfully circumvent pitfalls of deadlock in European multi-level governance. To be sure, the inherent tension between the pressure for integration (regional participation and intergovernmental coordination) and the need for differentiation (selective exclusion), in order to defuse dangers of deadlock, cannot be entirely resolved. However, our empirical research points to some strategies and avenues which are used to deal with this tension.

The rise of the regions as new actors in European policy-making and the resulting pressure for regional participation and integration produced novel elements of interlacing and interlocking politics. However, at the same time, the interaction of Europeanization and regionalization triggered processes of regional adjustment or restructuring and differentiation of intergovernmental or intraregional decision-making structures. It is this process of differentiation which emerges as the precondition for the successful management of the multi-level system.

First, the EU system of multi-level governance is characterized by a specific differentiation related to their functions: In Structural Funds Policy, overall coordination, let alone integration, across multiple arenas is simply impossible. Hence, problems are divided into partial tasks to be dealt with by separate arenas. On the EU level, decisions are made on the concept, the general policy goals and on the principles for the allocation of grants to regions. The substantial goals for regional policy are formulated in programs for each individual region, which are executed in cooperation between the Commission and the responsible institutions of member state governments and the regions concerned. In the realm of city-regions, competition is the driving force, leaving room for individual urban regions to develop their own strategies. These efforts,
aimed at improving economic competitiveness, are largely decoupled or excluded from intergovernmental coordination which concerns specific policy sectors.

Second, the complexity of processes is, to a certain degree, simplified by a territorial differentiation in intergovernmental relations. In contrast to systems of joint decision-making -- which include all decentralized governments -- intergovernmental relations between the EU, the national level and regional governments are limited to particular nations or regions. The dominant mode of intergovernmental coordination is not multi-lateral, but rather bi- and/or trilateral. In this way, multi-level co-ordination can be adjusted to different institutional settings of lower level governments. Conflicts can be reduced by sub-division. These procedures are often further simplified by a pragmatic by-passing of levels of government: In Germany, the national government leaves the formulation of development programs to Ländere governors, which have direct relationships to the Commission. By lowering the number of participants in the negotiation process, the potential for conflict is diminished.

On the national-institutional level, traditional patterns of level linkages and joint decision-making are largely being preserved in both France and Germany, and in both structurally weak and city-regions. The French system of more personalized and flexible linkages between levels of government can more easily adapt to the cooperative requirements of the EU multi-level game, but it lacks the hierarchical powers necessary for redistribution and institutional reforms. While the more formalized German system is prone to bureaucratic defects, inflexibility, and sectoral fragmentation in the Structural Funds Policy, it is more successful in providing incentives for horizontal cooperation in city-regions, provided there is strong leadership by the Ländere governments.

Elements of institutional contuinity should not conceal the fact that the challenge of Europeanization and regionalization favoured the rise of new, innovative forms of level linkages and, more generally, a new mixture of modes of governance, which lies at the heart of the successful management of the EU territorial multi-level fabric.

As a counterpart of differentiation, an important element of innovation emerging from our case-studies are new patterns of “loose coupling” of arenas and levels of government. The term “loose coupling” means that decisions in one arena do not completely determine decisions in other arenas but only influence parts of the decision premises (Weick 1985: 163-165). The multi-level system is structured not as “connected games”, in which actors’ strategies depend on outcomes of other games, but as “embedded games”, in which
policy-making in one arena sets the context for negotiations in other arenas. This context-setting is realized by a shift in the logic and language of interaction between actors on and between different territorial levels. The emphasis or “language” of this interaction is not control or decision-making, but rather information exchange and persuasion. This new style of policy makes it easier to overcome interest-based deadlock. Moreover, in the differentiated system of governance, actors at the interface of arenas play the role of mediators and promoters. This applies, for example, to the French regional planning agency DATAR and to the prefects or to the German Federal and Land Ministry of Economics in Structural Funds Policy. In the development of city regions, the governments of the German Länder, the mayors of big cities, and leading members of Chambers assume this function.

This last point alerts us to the fact that it is not one single form, but rather a balanced mixture of different modes of governance which helps to manage the tensions produced by the multi-level framework. Cooperative networks (like those formed around developmental projects in city-regions) and mediation (provided, for example, by state field services in regional development policies) are not the only modes of governance. As a matter of fact, the need for cooperation and consensus-building, which gives rise to patterns of “loose coupling”, does not lead to systematic deadlock precisely because these modes of social coordination are complemented by alternatives modes, namely competition and hierarchy. Hence, European multi-level governance is not just, as some authors seem to believe, about “policy networks for cooperation“, which exclude “competition for scarce resources“ (Hooghe 1996: 18), but implies a wider array of governance mechanisms.

Competition between different units and levels of government is a source of innovation, for example by promoting more efficient solutions to policy problems. The Commission can be an important source of policy innovation, but the same is true for the variety of local and regional policy proposals carried up to the national and European level. While the differentiation of decision-making structures (decoupling) creates room for competition between autonomous units, “loose coupling” again allows the diffusion of new ideas within the system. Finally, the principle of competition also works on the horizontal level, between different European regions competing for funds (Structural Policy) or investments (city-regions).

Reserved hierarchical powers, the “shadow of hierarchy”, also counteract the danger of deadlock inherent in cooperation and negotiation. A good case in point are the Länder governments of Germany, which can exert pressure on local authorities in city-regions to force them to cooperate. Central state
agencies fulfill the same function in French regional development policy. As a rule, in a loosely coupled structure state actors play less a monopoly role of control and decision-making, and more of a role of mediation. However, the more they can operate in the "shadow of hierarchy", the better they can perform the softer role of mediation.

The specific mixture of modes of governance will obviously vary with the given institutional and policy context. It is true that, from a larger comparative viewpoint, both Germany and France are countries with a tradition of cooperative intergovernmental relations, which made it easier for them to adapt to the cooperative requirements of the European multi-level game. In this respect, it is necessary to be aware of the limits of this two-country comparison. Other European countries, such as Spain, which lack this tradition, and where intergovernmental relations are much more conflictual and politicized, will naturally find it much harder to adapt to the new European system (Börzel 1997). In these contexts, cooperative and "soft" patterns of "loose coupling" might not be readily available as devices for the successful integration of the regional level. Confrontation, competition, and hierarchy will presumably continue to play a more important role.

Nevertheless, as seen in other national and policy contexts not studied here, it seems useful to carefully analyze the specific mixture of old and new modes and instruments of governance which emerge in order to manage the adaptational pressures and tensions arising from the double process of Europeanization and regionalization. If in every single case viable escape routes to circumvent deadlock can be found, remains an open question. The modest claim here was to show that these escape routes do -- in principle and empirically -- exist, what they are, and how and under which conditions they can be expected to operate.

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6 As a matter of fact, in some respects, they transferred their domestic intergovernmental patterns to the European level. In Structural Funds Policy, for example, the partnership and planning procedures were, to a large extent, modelled on the French example of regional, contractual planning. Therefore, French actors found it much easier to operate in the EU system of regional development.
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