Contested Spaces: Europeanised Regional Policy in Great Britain and Germany"

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I Introduction

In the recent academic debate on European integration, the concept of "Europeanization" has drawn attention to those processes of institutional formation that are causally connected to the process of integration, but do not fit into the notion of integration as such. Europeanization, in this paper, relates to changes in policy, politics and polity at the level of individual member states, changes that have been discussed as a "transformation of governance" in the academic literature (Kohler-Koch / Eising 1999). The current paper seeks to contribute to that debate. It looks at changes in domestic regional policy in the UK and Germany during the 1980s and 1990s and asks whether and to what extent such changes are related to the emergence of cohesion policy at the level of the European Community.[1] A second objective is to develop a concept of Europeanization that leaves behind the mechanistic assumption that Europeanization mainly works through "adaptation pressures" emerging from the European level. While this notion may be useful as long as the focus is on regulatory policies of the EC (where domestic adaptation is a reaction to integration by law: i.e. to EC regulations and directives requiring a certain extent of harmonisation of national policies), it is of limited avail in the case of a mainly redistributive policy such as the EC's regional policy. The paper therefore suggests a concept that puts emphasis on changing actor strategies in a situation of "contending spaces". The argument is that European integration results in a situation of contending institutional orders on the national and European scale that draw normative legitimacy from a peculiar relation to geographical space. In relating to this contending "European" institutional order, decision makers may legitimately change the course of public policy against the resistance of actor coalitions profiting from the status quo. A second path of change emerges when discontent or hitherto marginalised actors successfully challenge the legitimacy and appropriateness of existing policy with reference to European arrangements and successfully press for a change in policy.

Although my contention is that this conception of Europeanization is useful for a broad range of policy sectors, it has been developed with respect to the regional policy of the EC. The term "regional policy" is understood here as comprising the field of regional and structural policies of the Community as well as the control of regionally differentiated state aids by the Commission. The latter competence has increasingly been applied by the Commission with the cohesion objective in mind, so that some observers have talked of state aid control as an instrument of "indirect" regional policy (Klemmer 1998). The empirical analysis of this paper will demonstrate that both branches of EC regional policy are of significance in understanding regional policy change on member state level. While the effects of EC state aid control on the regional policy of member states may be usefully analysed using the language of "adaptational pressure" (Cowles / Caporaso / Risse 2001, Börzel 1999 and 2001), the effects emanating from the regional and structural funds of the EU require a different conception. The regional funds policy is one of the "shared" competences of the EC and the member states, where legal activity of the supranational level does not imply a harmonisation of member state policy. Hence, from a legal point of view, the member states are not constrained by EC activities (Streinz 1999: 49). EC and member state policies co-exist, with the treaty saying that the structural funds are intended to "support" the activities of member states in reducing regional disparities (Art. 158 TEC).

There are a number of procedural characteristics of EC regional policy that tie it together with the corresponding policies of member states. The most important of these is the so-called "co-financing" requirement. This means that (in most instances) money from the regional fund has to be spent in schemes that are financed jointly by the EC and the member states. Co-financing prevents that both policy layers exist in disregard of each other. Yet, it was only in the early days (i.e. the late 1970s) that there was a clear hierarchy between EC and member state policies in terms of member states setting the priorities and the EC's regional development fund (ERDF) "supporting" those priorities. While in the late 1970s money from the ERDF was

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1 Since this paper is concerned with policies of the "first pillar" of the EU, I use the term European Community throughout

given to the member states according to fixed quotas, nowadays member states have to negotiate with the Commission about support from the ERDF, giving the Brussels authority some degree of autonomy in distributing the fund (for more details, see Armstrong 1995, Allen 2000). It is important to note that, in assessing the bids from the member states, the Regional Policy Directorate of the Commission (DG Regio) uses criteria that relate to the European space rather than the national one. This pertains not only to eligibility as such, but also to the policy content of proposals. Consequently, member states that wish to tap the ERDF have to accept that a European logic is introduced into their national regional policy schemes. The same logic, although in a much more direct way, applies to EC state aid control. In assessing the compatibility of state aids with the Common Market, the Competition Directorate necessarily has to draw on European rather than member state criteria. The criteria used in that assessment, however, are not restricted to potential trade distortion, but include the cohesion objective as well. Regional policy measures of the member states may be prohibited by the Commission if it judges them incompatible with the objective of reducing regional disparities on a *European* scale. Hence, richer member states in particular have to accept that they may be unable to support regions considered to be eligible from a national point of view, insofar as these regions are too wealthy to qualify for funding from a Community perspective (Wishlade 1997a, Cini / MacGowan 1998).

The resulting situation is one where European criteria increasingly play a role for the shaping of member state regional policies, both as regards eligibility for support from the ERDF and as regards the justifiability under competition criteria. Political conflicts may result insofar as the territories of the member states are defined as "sub-territories" within the larger European space. Political problems to which national regional policy reacts are perceived differently under a European perspective. This regards both the salience of regional problems ("is the problem severe enough to justify public intervention?") as well as policy conceptions ("which measures constitute an appropriate response to perceived policy problems and which actors should legitimately take part in solving the problem?"). The title of this paper ("contending spaces") was chosen with this concept in mind: I am arguing that member state policies in the regional policy sector are increasingly embedded into an institutional order that takes the European space as its prime point of reference. To the extent that political actors successfully achieve a change in public policy and, in the process of doing so, use this "European" point of reference in order to give their arguments normative or conceptual clout, we may talk of a process of "Europeanization" of public policies.

I discuss these questions using the examples of the UK and Germany. Both countries are comparable in that they are relatively wealthy member states, however with severe pockets of unemployment and regional deprivation. They thus have felt both the carrot (i.e. ERDF funding) and the stick (state aid control) of EC regional policy. Second, and relating to this, both countries have a rather long history of regional aid policies which date back to the inter-war or early post-war period. This makes the two cases different from southern member states such as Greece and Portugal which developed their regional policies relatively late and partly in response to the structural funds policy of the EU. Finally, both countries have not seen a change of government in the period reviewed (from the early 1980s to the changes of government in 1997 and 1998, respectively) and were ruled by centre-right or conservative governments. While the three factors allow for a useful comparison between the two countries, a number of important differences between them remain. These are (1) institutional differences among the two countries, namely drastically different regional policy "paradigms" (Hall 1993) and differences in the organisation of government and politics, and (2) different degrees of "exposure" of the policies of the two countries vis-à-vis the two branches of EC cohesion policies.[2]

The next three chapters will deal with the development of EC regional policy (section II) and the regional policies of Germany and Great Britain under the condition of increasing European embeddedness (sections III and IV). I do not aim to give a full-fledged account of policy developments over the course of two decades. Rather, my aim in section II is to expand on the analytical construct of "degrees of exposition", which requires going into some of the fine grain of EC regional policy. Sections III and IV seek to demonstrate changes in policy instruments and the overarching logic of regional policy development in Great Britain and Germany.

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2 This variable is a component of socio-economic factors and choices of the two countries as regards the use to which ERDF funds and member state resources are put (for more detail on this latter point, see section II).

II Regional policy in a multi-level polity

In the period since the mid 1960s, EC regional policy has increasingly become a second layer of regional policy in the member states. The expenses for the European Regional Development Fund (ERDF) and the other structural funds have risen steadily, and have offered support for less wealthy regions in times when national regional aid has been declining.[3] This structural policy consists of a number of funds and so-called 'financial instruments' and meanwhile takes up about a third of the Community's financial resources. What is more, 'cohesion' has become a top priority for the EC since the advent of the 1992 programme and has increasingly invaded other policy fields. The EC, by the wording of the treaty, is to observe the cohesion objective in all its other policies. In the current context, the most important example is the control of state aids mentioned above.

In parallel to the expansion of EC regional policy in budgetary and political terms, there has also been an increasing differentiation of the uses to which ERDF money may be put. Although the ERDF (like more traditional regional policy schemes) still focuses on industrial investment support and infrastructure development in the disadvantaged regions, there are virtually no restrictions in the definition of what constitutes 'infrastructures' and 'industrial investment'. In the realm of infrastructures, which traditionally take up a large share of the ERDF (Armstrong 1995: 46), "no infrastructure needed for regional development is excluded".[4] ERDF aid for investments is less vague through its focus on job creation or the maintenance of existing jobs, but again has very little restrictions as regards specific measures. A third priority is the development of "regional endogenous potentials", which mainly seeks to create a business environment that is conducive to the success of small and medium-sized enterprises (SME). The breadth of ERDF funding priorities is partly attributable to organisational self-interest of the Regional Policy Directorate, and partly due to compromise solutions between member states. In the past, the Commission has often been able to forge coalitions with recipient states, thus contributing to an ever broader definition of funding priorities (Zeitel 1998, Peterson / Bomberg 1999: 156-63).

Given that EC regional policy has to address the regional policy needs of 15 different member states, it would probably be unfair to criticise the ERDF for a lack of focus. The problem, however, is that until recently[5] the Regional Policy Directorate of the Commission has not been prepared to let member states decide on their own where the money should go. Rather, as the examples of Great Britain and Germany show, there are frequent conflicts between the member states and the Commission on this point. The Regional Policy Directorate has developed its own intelligence on regional problems in the Union and its own conceptions of what measures are appropriate to fight regional underdevelopment. In particular, the Commission has been critical of ERDF money to be used exclusively for more "traditional" regional policies, such as investment aid and infrastructure support benefiting larger firms and instead has put a strong emphasis on fostering endogenous potentials in the regions and SMEs. What is more, the past has seen Commission staff travelling to regions eligible for ERDF aid and telling local elites that many beautiful things could be funded in their regions, were it not for the stubbornness of

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3 The most recent overviews on the topic are given by Allen 2000, Yuill et al 1999 (19th edition), and Klemmer 1998. Also see Conzelmann 2002: 63-113.

4 This citation and the information on priorities of assistance are taken from the Web page http://europa.eu.int/comm/secretariat_general/sgc/aides/en/p1ch1s2.htm (as of July 2000)

5 Starting with the 2000-2006 funding period, member states have been given more discretion in distributing ERDF moneys across regions and funding priorities. The state of affairs described in the text relates to the funding period ending on 1 January 2000, during which most of the policy changes of interest in this paper occurred. The co-ordination between supranational and national regional policies works mainly through the negotiation of multi-annual regional development plans between the Commission, the respective member state, and a range of subnational actors (the so-called 'partnership principle'). The plans set economic development priorities for each region, and explain the use of the several sources of aid in attaining these goals. A useful overview of this principle and how it works out in different member states is given by the contributions in Hooghe 1996, in particular Marks 1996

the central government sticking to its policy priorities or its funding decisions, respectively.[6] Even in cases where such direct intervention by Brussels civil servants has not occurred, the broad concept of the ERDF has attracted national and subnational actors wanting to see their own policy priorities (not necessarily from the field of regional policies) to be supported by the ERDF. A member state unwilling to make co-financing from domestic sources available for a particular project can always be put under pressure by the argument that the member state loses out in raising money from the ERDF. At the same time, these actors can line up with DG Regio in demanding that changes be made to the distribution of funds or the instruments of national regional policy in order to increase the compatibility with European funding. The basic point here is that, when compared with a "purely national" setting, it is less easy within the multi-level system of the EC to keep peripheral policy actors marginalised, since they can relate to actors and resources operating according to a "European" logic of policy. It is not only the availability of additional financial resources from Brussels that may provide incentives for policy change. It is also that a different interpretation of regional policy problems and appropriate solutions becomes available and may act as a focal point for the mobilisation of sub-state actors (cf. Hooghe / Keating 1994).

As mentioned above, the increasing salience of the cohesion objective has also influenced the interpretation and application of state aid control by the Commission. Because regional aid policies often make heavy use of direct subsidies to firms, they raise the question of compatibility with the Common Market. The relevant treaty articles 87 and 88 TEC give the Competition Directorate the exclusive competence to approve of state aids or to interdict them. According to the treaty, the Commission may approve of state aid to industry when it is used as a regional policy instrument. In its application of this rule, however, the Commission has increasingly taken intra-Community cohesion as its normative point of reference, i.e. it has used European and not national criteria in determining whether state aid measures may be given for regional policy reasons. Hence, even large state aids have met little resistance with Brussels if they occurred in one of the cohesion countries, while at the same time comparatively smaller aids have been prohibited in economically stronger member states (Deacon 1982, Krieger-Boden 1987: 86, Wishlade 1993: 144, Cini / MacGowan 1998: 148). This trend began already in the 1970s and has become increasingly salient with the development of the Single Market programme. The policy logic behind this development is that the mitigation of regional disparities within the *European* territory is the normative point of reference for state aid control, and not balanced regional growth within individual member states – let alone free competition.

Another peculiar feature of state aid control is that it relates not only to individual grants, but also to regional policy schemes in general. Member states have to notify the map of areas eligible for national regional aid and have to await Commission approval. Once the Commission has approved an aid scheme, the member state may give a certain amount of support to firms wanting to invest within eligible areas without further permission from the Commission.[7] Again, DG Competition has applied stricter standards in the wealthier member states here, i.e. it has demanded that the extension of eligible areas and / or the level of support be reduced in order not to counteract the cohesion objective. There is a number of exemptions from the absolute interdiction of state aid, most notably the so-called *de minimis* rule. It generally allows state aids for small and medium-sized enterprises (SME), since 1992 defined as those firms that have less than 250 employees and a combined annual turnover of less than 20 mio. Euro. A further area where state aid rules are less restrictive is the support of R&D related measures and for infrastructure provisions. Therefore, not all policy instruments that may be used within the regional policy toolkit fall into the realm of strict state aid control, and there is some incentive for domestic policy makers to focus their public money on such policy areas where there is less interference from Brussels.

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6 This is an observation that was frequently made in the 80 interviews that were conducted in Great Britain, Germany, and at the Commission in the context of the larger study upon which this paper is based (Conzelmann 2002). For similar observations, see Burch / Holliday 1993, McCarthy / Burch 1994, Toepel 1997, and Die Zeit, 13.5.1994, S 28.

7 Exceptions apply for certain industry sectors

What, then, are the effects of this constellation on policy development in the member states? While an empirical answer to this question will be given in sections III and IV, it can already be hypothesised what developments might be expected and which factors might play a role in this. This brings us back to the two factors of institutionalisation and exposure mentioned in part I. To start with the latter one, the concept of exposure is meant to indicate a higher or lower likelihood of tensions with the regional policy and competition directorates of the European Commission. Such tensions are the product of the policy philosophy prevalent in the regional policies of member states, of certain political choices to be taken by the government, and of socio-economic indicators. To start with the question of ERDF funding, the broad definition of eligibility criteria constitutes a problem for those governments in particular that want to focus regional aid either on a few priorities or want to use the ERDF primarily to support infrastructure and investment that favours larger firms. Both strategies have lacked favour with the Commission, hence one may argue that degree of exposure rises the more the respective government wants to restrict the use to which ERDF monies are put. It is also likely that such differences will become more accentuated the more funding the member state receives from the ERDF. Above all, this will be the case if larger regions of the respective member state are eligible for funding under the so-called "objective 1" of the ERDF.[8]

As regards the case of state aid, the degree of exposure rises with the relative wealth of the respective member state. As explained above, DG Competition applies stricter standards for the approval of state aid in wealthier member states, hence in this case there is a stronger "exposure" than in less wealthy EU members. A second factor are, again, policy choices. Because the prime target of state aid control are subsidies to larger firms, a regional policy that relies heavily on such subsidies is relatively more vulnerable to state aid control.[9] On the contrary, a regional policy conception that focuses on the stimulation of endogenous growth through support for "soft" infrastructure or SMEs, is less bound for conflict with the Brussels authority. In such cases, and in cases of less prosperous member states, DG Competition is much less likely to press for a decrease in assisted area coverage and / or aid intensity than in cases where wealthier member states give regionally differentiated support to larger firms.

It is important to note that the idea of "exposure" denotes just a *potential* for conflict and, taken alone, is not a good indicator for the likelihood of policy change. Moreover, exposure must not be confused with concepts such as "pressure to adapt". Where there is a high degree of exposure, policy makers in principle have three options to react, namely (1) adaptation, (2) evasion and (3) resistance. If one takes the scenario of exposure developed above with respect to the ERDF (a narrow conception of regional policy is confronted with demands of the Commission and subnational actors to permit a broad use of ERDF funding), national regional policy makers may either follow suit, i.e. loosen the eligibility criteria of national policy up to the point where all ERDF monies can be accommodated within national regional policy (*adaptation*). A second alternative is to raise the matching national funds from a broader range of funding programmes than just "traditional" regional policy (*evasion*). While such a move would not necessitate an adaptation of regional policy instruments as such, it would diminish the relative importance of member state regional policy vis-à-vis other instruments and would constitute a potential threat to government branches in charge of "traditional" policy instruments. A third option would be resistance, i.e. the objective would be to retain as much policy autonomy as possible. Renouncing part or the whole of the ERDF money would be the most extreme form of this strategy.

Similar scenarios may be developed for the case of state aid control. Although (forced) adaptation (i.e. a decrease in assisted area coverage and aid intensity) seems to be the most obvious outcome, member states may to some extent resist and / or evade the directives from Brussels. As concerns evasion, one possible strategy would be to scale down regional policy instruments that are viewed critically by Brussels and expand others that are less vulnerable by state aid control (e.g. SME support). Moreover, it is easy to overestimate the powers of the Brussels bureaucracy vis-à-vis the member states. Although the prospects of successfully challenging a

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8 I.e. regions with a GDP per capita of below 75 percent of the Community average These regions receive the bulk of ERDF funding and hence have a kind of flagship function for EC regional policy.

9 The rationale behind the subsidisation of larger firms is that it is only those firms that will bring additional income into deprived regions. Support for entrepreneurs producing for the local market only will only distribute wealth within the region, but will not generate additional income.

Commission decision at the ECJ are bleak. decisions by the Commission are usually preceded by extended negotiations between Brussels and the national capital. During these negotiations, the member state concerned will be able to resist at least to some of the demands of DG Competition: the reasons being the wording of the treaty (Art. 87. 3 TEC). the limited control capacities of the Commission and the ensuing desire of DG Competition to keep up a more or less cooperative climate between Brussels and the national capital. and, finally. the necessity for the Competition Commissioner to get approval for the interdiction of state aid measures from the other commissioners (Conzelmann 2002: 94).[10]

A final hypothesis is that it depends on institutional factors within the domestic regional policy domains which of these three conceivable strategies is chosen in cases of "exposure" of member state policies. Such institutional differences can help to explain why a high degree of exposure does not automatically imply adaptation and a high likelihood of policy change. The stronger a particular policy path is institutionalised among the participating actors. and the more these actors themselves are shielded from external influences by existing institutional configurations. the more likely it is that change can and will be resisted and actors stick to inherited policy solutions (Hall 1993. Thelen / Steinmo 1992). In cases of less strong institutionalisation. the strategies of adaptation and / or evasion become more likely. We would expect to see a opportunistic adaptation to Europe in cases where there is no strong institutionalisation of a peculiar policy path and where there exist no strong supporting coalitions defending the integrity of policy. Consequently, it can be argued that the less institutionally safeguarded a particular policy and its supporting coalitions are. the higher the likelihood that European exposure will result in actors beginning to question the legitimacy and appropriateness of the existing policy and ultimately succeeding in changing its course. Precisely how this policy dynamic works out depends on the degree of institutionalisation of policy paradigms and supporting coalitions and to the degree of exposure of member state policies vis-à-vis "Europe". Possible outcomes may be "adaptation". "evasion" and "resistance".

III Contending Spaces: Germany, Great Britain and EU Cohesion

As has been implicit in the discussion above, the changes that are of interest to me in the following empirical discussion. lie in the change of regional policy instruments as well as in the change of what one may term the logic of policy within the two member states under review. Examples for change in instruments would be the extension or reduction of assisted area coverage. a change in eligibility criteria etc. Changes in the logic of policy could relate e.g. to the relative importance of "traditional" regional policy as compared to other instruments. an increased use of SME instruments in regional policy and the like.

Within the limits of this short article, it is not possible to give a detailed account of policy development in the two countries of Great Britain and Germany of the period researched. I therefore present some of the conclusions of the larger research project on which this discussion is based (Conzelmann 2002). In the concluding chapter, these observations will be discussed in the light of the theoretical considerations made above.

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10 For example. decisions to scale down assisted area coverage in West Germany in the late 1980s and early 1990s have been taken through compromises between the Federal Economic Minister and the Competition Commissioner. The decisions are called the "Bangemann-Sutherland" and "Möllemann-Brittan" compromises in the literature.

III.1 The Case of Germany

The problem of deviating priorities between supranational and national regional policy measures can be clearly observed in the case of Germany. Its main regional policy scheme on the federal level,[11] the *Gemeinschaftsaufgabe Verbesserung der regionalen Wirtschaftsstruktur* (GRW), is far more restrictive in terms of what measures can be supported than the ERDF. The principal objective of the GRW is the stimulation of investment by the private and the public sector (rather than a better exploitation of regional potentials for 'endogenous development'). The main instruments used are grants for private investments and for publich infrastructure development that primarily benefits private investors. A peculiar feature of the GRW is its focus on firms that bring additional income into the region. This "primary effect", as it is called in GRW-speak, is assumed to exist in firms that export their products or services beyond regional markets.[12] It is assumed that when such firms expand, they will demand additional goods or services in the regional market, thus strengthening their local suppliers (and, ultimately, the whole region) through 'trickle down'-effects (the so-called "secondary effect", see Ewringmann et al. 1986, Pohle 1995). In practice, this means that there is a certain bias in favour of larger firms that usually have less difficulty in demonstrating that a primary effect exists. Support for small and medium-sized enterprises, one of the cornerstones of the ERDF, is possible only in cases where a primary effect exists. Other forms of support for "endogenous" development not linked to private investments (e.g. the development of "soft" infrastructure) are ruled out with some minor exceptions.

It is not just this clearly defined policy philosophy that "exposes" the GRW to European impacts, but also the fact that the GRW is the most important instrument in raising the necessary "co-financing" contribution to ERDF supported measures. Against the increasing resistance of other branches of the federal government, DG Regio and some subnational actors, the Federal Economics Ministry (who is in charge both of the GRW instrument and the ERDF policies) has sought to keep the coupling between the two instruments as tight as possible in the past. As concerns the state aid aspect, there is also a considerable degree of Exposure. Not only is Germany one of the wealthiest members of the EU, it also has a tradition of relatively large-scale intervention into the economy. The GRW policy in particular has been viewed critically by DG Competition, due to its foremost concentration on firms that do not fall under the SME definition of the Commission.

Two developments will be discussed in this section in more detail, namely the reduction of assisted area coverage and aid intensity in West Germany during the 1980s and 1990s, and, secondly, the debates surrounding the use of ERDF funds for the support of the GRW.[13] As concerns the first question, there is little doubt both in the literature (e.g. Nägele 1997, Dietz 1999) and in the interviews conducted for this research that Brussels was completely instrumental in bringing about a thorough reduction of assisted area coverage in West Germany. GRW assisted areas covered about two thirds of the West German territory and some 36 per cent of the population in the late 1970s. In addition, there were assisted areas of the Länder, bringing the total up to almost 80 per cent of the territory and 50 per cent of the population (Geppert / Hornschild 1979: 24-5). This made Germany the member state with the greatest amount of nationally assisted areas (Yuill et al. 1981). During the

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11 Regional policy is primarily one of the competences of the subnational German states (Länder). The GRW was introduced in the late 1960s as a financial supplement to the regional policies of the Länder and as a coordination mechanism. This co-ordination is done through a common decision body, the so-called planning committee (*Planungsausschuß*), that is made up of federal and state representatives. The committee sets aid levels, decides on eligibility criteria, and, most importantly, undertakes a regular review of the assisted areas map. The deal between the Bund and the Länder executives in the GRW is simple: while the federal level made funds available for regional development purposes, the Länder agreed that their own regional policies were reined in into an institutionalised co-ordination mechanism. The coordination worked as follows: The highest aid levels and additional grants from the Bund are available in the assisted areas decided upon in the planning committee. Up to the beginning of the 1990s, there were also assisted areas designed by the individual *Länder*. Aid levels available in these areas had to be kept within certain limits in order not to undercut GRW policies. In terms of implementation, the Lander are solely responsible, thus increasing the close web of mutual relations has developed between both levels. See Nägele 1996 and Hoppe / Voelzkow 1999 for a thorough and encompassing review of the history of German regional policy.

12 The GRW regularly puts up a list of industrial branches that satisfy this criteria. In addition, there is the possibility for individual firms to demonstrate that a "primary effect" exists. See Bundesregierung 2002: Part II, para. 2.1 for details.

13 For a more extensive treatment of the German case see Conzelmann 2002: 115-179.

1980s, the Commission increased pressure on the German government by declining or delaying approval of assisted areas and demanding that area delineation was based on transparent and non-political criteria. In several rounds of negotiation between Bonn and Brussels, the coverage of GRW areas went down to 27 per cent in 1998, to 20.8 per cent in 1998 and is at 17 per cent currently. Due to the European pressure on the map, there was also some degree of centralization: While the German states traditionally had decided autonomously on their assisted areas, they now had to coordinate their areas with the Bund and the other Länder in order not to exceed the threshold negotiated with Brussels. In 1991, it was decided that there should no longer be assisted areas of the Länder, which meant that the GRW areas were the only remaining assisted regions in Germany. In parallel to this development, the intensity of aid (i.e. the percentage of total investment costs that is paid by the public) was has been progressively reduced. The effect has been not only a reduction of the size of assisted areas, but also a reduced importance of the GRW instrument and its co-ordination function in general. Put shortly, the Bund-Länder deal described above (footnote 11) did not work any longer, as only particular unemployment blackspots or areas with low income would stand a chance to be included in the list. This left some of the wealthier West German states with no GRW areas at all. What is more, these states became unable to compensate for missing GRW funding by designation of their own assisted areas. Naturally, this development has made the *Länder* look for alternative sources of funding.

One of the most remarkable outcomes of this process is that the ERDF to some extent was able to fill the void. It is important to note here that the restrictions put on the domestic assisted areas map have no connection with the availability of European funds. In fact, towards the end of the 1990s, the assisted area coverage of the ERDF and other European aid measures, in particular the so-called Community initiatives, were about twice the size of the nationally assisted areas (Bundesregierung 1998: 9). Hence, funding from the ERDF has become a real alternative for those German states that lose out under the GRW. However, as the necessary co-financing funds cannot come from the GRW, there is a strong tendency to raise funds from aid programmes for SMEs, environmental measures, and so on, which are outside the remit of the GRW regional policy, but can easily be accommodated under the umbrella definition of regional policy as employed by the ERDF. The paradoxical effect is that a second layer of regional policy has developed in Germany, which runs parallel to the GRW and obtains its regional dimension exclusively through the designation of eligible areas for supranational policy purposes. The smaller the congruence between the supranational and the national assisted area maps, the larger the salience of this regional policy that runs *parallel* to domestic regional policy and, on the domestic side, is funded completely by programmes that have no regional differentiation per se.

The ERDF is not only attractive for those Länder that do not have any GRW areas, but also for those that have, but want to pursue regional development strategies that are ruled out by the narrower GRW eligibility criteria. Hence, the second regional policy layer develops also within the areas covered by the GRW (most notably, in East Germany). Both tendencies (i.e. to "decouple" ERDF resources from the GRW in territorially and substantially) have met the resistance of the Federal Economics Ministry. As the administrative branch responsible for both the GRW and the ERDF, it has sought to keep the connection between the two instruments rather close. At the same time, some of the Länder, but also other ministries at the federal level and staff of the Regional Policy Directorate of the Commission have demanded that the ERDF may be put to other uses than is possible under GRW rules. The debate on this point became particularly tense during the negotiation of the funding regime for East Germany in the period 1994-1999.[14] The Federal Government had safeguarded "Objective 1" status for the East German Länder during that period and had obtained about 14 Mio. ECU (prices of 1992) from ERDF coffers. Quite logically, this largely increased amount of aid fuelled the debate about decoupling GRW and ERDF.[15] The compromise solution was that the East German Länder themselves could decide whether they wanted to remain within the GRW or go beyond its eligibility criteria. In practice, the

14 For accounts of the process, see Nägele 1996: 213-23, Conzelmann 1998, Anderson 1999 166-8 See Toepel 1997, Baumann 1997: 171-99 and Gerlach / Kattein 1998. 174-5 for a discussion of the often uneasy relation between domestic and European regional policy in Eastern Germany

15 The GRW itself had also been massively boosted in the wake of unification and channelled funds of about 1 Bio. Euro per year into Eastern Germany. From a financial point of view, it would not have been a problem to raise the matching funds for the ERDF exclusively out of the GRW budget.

possibility of "decoupling has not been used extensively by the East German Länder due to their financial weakness.

One of the most interesting outcomes of that debate was a comprehensive reform of the GRW instrument in 1995 (Bundesregierung 1995. Conzelmann 2002: 165-171). Its main content was a loosening of many of the restrictions that originally were typical for the GRW. For example. aid can now be given to support Länder programmes for small and medium-sized enterprises. The measures support go beyond investment and infrastructure (e.g. vocational training, research and development. the improvement of 'human capital'. and professional consultancy). however, are restricted to firms that export beyond regional markets. Environmental improvements (such as the renewal of local water provision networks. and the clearing-up of derelict industrial sites) may now be supported even when it cannot be clearly demonstrated that these infrastructures will predominantly be used by industries able to export their goods beyond regional boundaries. A further remarkable modification has been the possibility to give support to the drawing up of regional development concepts and the clause that regions that have such a concept should be given precedence when distributing funds.

Although some observers[16] have argued that the reform means that certain principles of the ERDF have been introduced into the GRW. there is no europeanization here in terms of adaptation to ERDF eligibility rules. The main trigger for reform has been to strengthen the attractiveness of the GRW as a co-financing instrument for the ERDF. and to turn around the trend of a diminishing importance of the GRW described above (also see Anderson 1996: 190). This had become a particularly pressing concern in connection with the large amounts of ERDF monies flowing into Germany since the designation of the whole of East Germany as a so-called 'Objective 1' area of the ERDF. Another very important input has been the limited usefulness of the GRW in the context of East German regional policy, and the unhappiness of many East German Länder governments with the GRW instrument as it had developed in the West German context prior to unification (Toepel 1997: 121-8 and 173-9). Although the changes made in 1995 are nothing less than revolutionary (given that it was the first major reform for almost 30 years), the conceptual cornerstones of the GRW have not been touched. In particular. the occupation with the so-called "primary effect" and the predominant focus on investment and infrastructure support has been maintained. Demands for a stronger co-ordination between the GRW and other instruments of potential significance for regional development (as is done in the "Operational Programmes" drawn up for ERDF purposes) have not been implemented.[17]

Nevertheless. the reform shows how domestic debates over policy development take. the normative and cognitive elements institutionalised in a supranational policy into account and make them a point of reference for subsequent policy proposals. Although adaptation to the ERDF model has been resisted. the reform discussion was triggered by the availability of a supranational policy model and supranational funds. This gave the supporters of reform a strong argument for changing the course of policy. This shows how domestic policy conflicts can be dynamised by the presence of EC policies. At the same time. the episode demonstrates how the institutional order of the respective member state becomes important in influencing the way in which "exposure" to Europe works out. Civil servants that took part in the process explain that "due to the particular institutional situation in Germany" a cross-departmental co-ordination would be unattainable and would lead to permanent conflict between departments (Tetsch. Benterbusch / Letixerant 1996: 61). The strongly institutionalised ressort principle in German politics thus was one factor in preventing a more thorough reform. Other factors were the veto position of the Federal Finance Ministry, the unpopularity of far-reaching reforms with the administrative staff in the Economics Ministries at federal and state level. and. above all. the fact that a fundamental reform would have required a change to the federal law upon which the GRW is based. Interviewees pointed out that

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16 E.g. Nägele 1996: 296, 310-1, Voelzkow / Hoppe 1996, Thielemann 1998 28-31

17 The regional development programmes mentioned above must inform about perceived strengths and weaknesses of the regions and must demonstrate how the region wants top achieve development objectives in coordination and combination of different support programmes. The crucial difference between this and the ERDF model is that it is up to the region to implement this coordination, with the GRW just giving support to the drawing up of the concept and promising preferential treatment for regions that have such a concept The European model. in contrast. is a top-down approach. It is *required* that all regions put up such a concept and that coordination is achieved through the Operational Programmes. which are negotiated between the region concerned. the member state and Brussels.

due to the lessened attractiveness of the GRW for many states and the general critical discussion on the Joint Tasks of federal and state levels in Germany, a legislative process could have resulted in the full abolition of the GRW. In sum, Europeanization of regional policy in the German cannot be understood as a simple adjustment to European imperatives. The course of policy change that shows some connection with "Europe" is best described as a complex mixture of adjustment (the shrinking of the assisted areas map), evasion (the development of a parallel regional policy) and resistance (the limited reform of the GRW, that was a reaction to European policies, but nevertheless is best understood as an assertion of existing policy in the light of changing circumstances).

III.2 The Case of Great Britain

The most striking results from the case of Great Britain[18] are that many of the conflicts and developments that have been observed in Germany are completely missing (see Conzelmann 2002: 181-242 for a thorough discussion). There has neither been a EC-induced reduction of areas eligible for regional aid, nor debates between the Commission and the national government over the coupling of the ERDF with the main national instrument of regional industrial policy, the so-called *Regional Selective Assistance* (RSA) scheme. Policy reform, as will be shown in the following paragraphs, has been quite common and is partly to be understood as a adaptation to Europe. Nevertheless, the British Government has not cared too much about a loss of policy autonomy to Europe. Quite to the contrary, it has actively promoted the emergence of a parallel regional policy that is supported by ERDF funds and focuses on policy sectors that are beyond the remit of RSA. Given that the two countries share some important regional policy problems, have both large regional aid schemes aimed at the support of industry, and are among the wealthier member states of the Union, this is a puzzle that is not easy to answer. There are several factors that can be drawn upon in solving this puzzle, namely (1) the relatively worse economic indicators as compared to Germany (i.e. a lesser "exposure" in the state aid field), (2) the political decision of the British government to use its ERDF share for the support of activities that are much closer to the priorities of the Commission (a lesser salience of large investment support in the projects that are suggested for ERDF support by the British authorities), (3) a generally lower degree of policy institutionalisation than in Germany. In order to limit the length of the paper, I am not delving very deep into single episodes of policy reform, but rather try to highlight some of the differences to the German case.

Ad (1): The Competition Directorate of the Commission uses a rather crude mechanism to authorise designated regional policy areas in the member states. The two main indicators used are regional unemployment quotas and regional GDP measures. If a particular area has a regional GDP of less than 75 per cent of the *Community* average, it stands a high chance of being accepted by Brussels. Areas over that threshold may also qualify, but need to show a certain deviation from *national* averages. While this latter stipulation aims at taking care for national regional policy problems, the Community viewpoint is introduced through the clause that deviations from national averages need to be stronger in the wealthier member states. Hence, the Commission fixes certain individual thresholds for each individual member state which it then uses to assess the compatibility of area designation with Common Market principles. The table below shows these thresholds for the United Kingdom and West Germany[19] during the 1980s and 1990s:

18 The research did not include the very particular aid regime installed in Northern Ireland.

19 Eastern Germany qualifies by the 75 per cent criterion mentioned above.

Table 1: *Thresholds used by the Competition Directorate for authorising national regional policy areas (minimum deviation necessary from national averages).*

	Germany (West)		United Kingdom	
	GDP/Head	**Unemployment**	**GDP/Head**	**Unemployment**
1988	74	136	83	110
1990	74	143	85	111
1993	75	145	85	113
1996	77	130	85	111
1997	77	128	85	116

Source: OJ No. C 212 of 12. August 1988. OJ No. C 163 of 4. Juli 1990. OJ No. C 119 of 29. April 1993. OJ No. C 364 of 20. Dezember 1994. OJ No. C 186 of 26. Juni 1996. OJ No. C 198 of 28. Juni 1997.

These measures have been arrived at through a relatively complex calculation which needs not to be discussed here.[20] The decisive point is that the thresholds for acceptance of an assisted area by DG Competition are much lower for the UK than for Germany. i.e. the deviation form the national averages have to be higher in Germany than in the UK in order to justify the availability of regional aid measures. The next table shows the actual size of eligible areas during the same period. again for the UK and West Germany:

Table 2: *Size of assisted areas in West Germany and the UK, 1980-1995 (percentage of total population).*

	Germany			*United Kingdom*
	West	*East*	*Total*	*Total*
1980	*50,0*		*50,0*	*45,4*
1985	*45,1*		*45,1*	*37,8*
1990	*40*		*40*	*35,3*
1995	*20,8*	*17,1*	*37,9*	*35,1*

Source: Data taken from Conzelmann 2002: 259 on the basis of German and Commission documents.

The larger size of the (West) German eligible areas is astonishing. given the relatively stricter threshold indicators presented in the previous table. If the Commission were to apply its own threshold indicators strictly. one would arrive at a size of the German assisted areas of roughly 25 per cent, while the UK could have assisted areas covering around 40 per cent of the population.[21] There is. of course. some room for negotiations between Brussels and the government concerned. but it is obvious from the figures given above that Germany has to face a much more fervent opposition by DG Competition than the British government in getting approval for assisted areas. This partly accounts for the rather tense relationships between the Federal Economics Ministry and the Brussels civil servants. while relations between the Competition Policy Directorate and the UK government have been described as the least strained in the whole of Europe (Wishlade 1997a).

This is not to say that DG Competition has not at all intervened into British regional policy. Two examples were the phasing out of the so-called Regional Development Grants in the early 1980s and the rather abrupt end

20 For details, see Klemmer 1986. 112-4 and Klemmer 1998. 494 The base data are taken from EUROSTAT sources and hence exhibit higher unemployment rates for the UK than the national statistics.

21 My own calculations on the basis of data from Kommission der Europäischen Gemeinschaften 1991, tables A.2, A.23, A.24. There is a systematic error in this calculation, since the Commission uses data for the so-called NUTS III- regions, while the data used here is collected on the level of the larger NUTS II regions. I believe that the figures are nevertheless useful as a rough indicator.

of the Thatcherite experiment of Enterprise Zones under John Major. Both schemes did not conform with EC state aid rules, either because they gave permanent (and not just investment or job-related) financial backing to firms located in assisted areas (the case of the RDG) or because it was near impossible to assess the volume of subventions given to firms (the Enterprise Zones). It has to be said, however, that in both cases the British Government had doubts about the effectiveness of the instruments for other reasons and considered to abolish the instruments not just because of the reservations of Brussels about them. At least in the case of the Enterprise Zones, DG Competition served more as a scapegoat than as the crucial trigger for elimination of the scheme.

Ad (2): There are principally two branches of regional policy in Great Britain, namely regional industrial policy, administered by the Department for Trade and Industry (DTI), and regional regeneration policy, administered by the Department of the Environment (DoE).[22] Both branches are distinct in the kinds of instruments employed and the addresses of the intervention. In the case of DTI regional policy, it is mainly firms that are offered investment support through the instrument of *Regional Selective Assistance* (RSA). This instrument is by and large comparable to the kind of interventions supported by the GRW: although it lacks the focus on infrastructure investment that is an important feature of the GRW. The main instrument of regional regeneration policy is the so-called Single Regeneration Budget (SRB), addressing the development needs of subnational, area- related development partnerships. Observers therefore have sometimes made a distinction between area-related and company-related regional policies (e.g. Temple 1994: 198-9, Robson 1995: 116). An important explanation for why many of the conflicts observed in the German case are missing in the UK is that the government decided to concentrate ERDF resources almost exclusively on the area-related DoE instruments; leaving regional industrial policy outside the remit of the ERDF. This development is also welcomed by the Commission. On the one hand, DG Regio generally has reservations about large-scale investment support, even more so when (as in the case of RSA) the prime focus is to attract internationally mobile investment.[23] On the other hand, it does not believe the ERDF to effect any additional economic activity if it is used to support RSA, since the UK government have generally committed themselves to make aid available to the extent that is necessary to safeguard international investment for Britain.[24]

Within the realm of regional regeneration policy, there is an explicit stipulation by the government that bids for assistance should be designed in a way to attract maximum funding from the ERDF. In that way, the SRB has become the main co-financing source for ERDF money in the United Kingdom. The Commission also has been satisfied with these arrangements. First, the SRB uses a bottom-up approach in putting together bids that is roughly comparable to the ERDF model and brings together a host of subnational actors. The SRB thus comes closer to the idea of regional developmental engineering than the German GRW. Second, the SRB is remarkable in that it does not have *any* eligibility criteria nor any predetermined assisted areas. The basic approach is to let subnational partnerships come up with whatever project they consider worthwhile ensuing and then let the government decide about making assistance available. This means that no decision is taken on funding priorities and the assisted areas map until successful bids are selected by the government. Although the Commission has some reservations about the way in which funds are distributed, one crucial advantage of the SRB is that it is able to co-finance the full range of measures that the ERDF can support. Hence, the debate about "coupling" or "decoupling" the national and supranational schemes that is so central in Germany is rather pointless in the UK case. This is true not only for funding priorities but also for the selection of assisted areas. The SRB is

22 For an explanation of this division, see House of Commons 1995: para. 26, RPC 1996 49

23 Since member states may try to outbid each other for such investments, it would be politically dangerous to support such bids through the ERDF.

24 Interviews at the Commission, Regional Policy Directorate, November 1998. On the UK side, see e.g. DTI et al 1994, para. 8 59, DTI 1995, para 8). The Regional Policy Directorate considers this use of European money as more sensible, since the schemes usually exhibit a stronger focus on SME support, environmental measures and so on, and are developed by a wider range of actors. They also do not carry the danger of annoying other member states, because the focus is very much on the development of relatively small deprived areas, not on internationally mobile investment.

completely disjoint from the RSA scheme, so the debate on the congruence of supranational and national assisted areas and eligibility criteria does not arise in the British context.

It is interesting to note, in that context, that the combination of asking the local partnerships to draw down as much ERDF funding as possible, and at the same time not making any stipulations concerning eligibility criteria or assisted areas, inevitably leads to a strong influence of the ERDF on regional regeneration policy. Hence, we can observe the same pattern of development of a "parallel" regional policy as in Germany, where assisted areas are determined by the ERDF and the matching national funds join in at a later stage. Apart from the SRB, there are a host of other programmes that may support ERDF schemes. Typically, a project will involve a host of funding from different sources, but the combination of funds is basically determined by the partnerships themselves. Hence, the German situation where one particular department tries to monopolise not only the administration of funds (as does the DoE on the national level in the UK), but also wants the ERDF to support solely its 'own' scheme, simply does not arise in Great Britain.

Ad (3): It was observed above that the debates between the Commission and the German government on funding priorities and coupling are not just a strategic fight concerning the control over funds, but are rooted in starkly contrasting policy paradigms. While the Germans believe in a narrow conception of regional policy and the renunciation of cross-departmental integration of regional policy, the Commission follows ideas of strategic regional planning and broadly defined eligibility criteria. The British case is somewhat difficult to classify within that spectrum, since the main philosophy as regards regional regeneration policy is not to have any philosophy at all. As one of the decision makers interviewed for this research explained:

> "In terms of trying new methods, I think we are always ready to try them, and our local partnerships do. Now, the ERDF does the same, but (...) the SRB is slightly more flexible, because it is totally bottom-up in the sense that anything is permitted in it. The ERDF still has constraints of eligibility, ... [while] the SRB doesn't. You can propose anything for the SRB, and it will be assessed on its merits. That is something we have ... learned from our previous programmes, where we ... were finding from time to time good schemes, that you could not fund, because there was some rule or other. We have just learned by experience that, in regeneration schemes, eligibility criteria cause more trouble than they are worth."

Translated into political science language, one can argue that there is a low degree of policy institutionalisation in British regional regeneration policy. This means that any conceptual inputs from EC regional policy will probably meet less resistance than they do in Germany. To that extent, one could argue that there is a higher likelihood of policy adaptation in the British case. There have been several instances demonstrating such a process, for instance the 1984 reforms in British regional policy, which had as one of its main aims to ease the tapping of ERDF funds. Another symptomatic case is the SRB discussed above with its maximum flexibility concerning the measures supported and the little resistance by the British government to the factual geographical and substantial steering of *national* resources by Brussels. Arguments that have arisen between Brussels and London mainly concerned procedural (rather than conceptual) questions. Examples are the hotly debated practices of "Top Slicing" and "Regional Challenge" practised by the UK government. They have in common that a certain proportion of ERDF monies is taken out of the usual way of distributing funds (through "Operational Programmes" negotiated between Brussels, the national government and subnational actors), and is left to the discretion of Whitehall.

Coming back to the three scenarios of adaptation, evasion, and resistance, we again find a complex mixture of all three elements. We have found that adaptation to Brussels is a more common strategy in Britain than in Germany, and have argued that this can be explained by the priority of Whitehall to tap the ERDF as fully as possible rather than to put the money to any predefined purposes. Resistance is to be observed in procedural rather than substantial questions: it is interesting to note here that again this is symptomatic for the former British government's missing belief in strategic regional planning. The main thrust is to stimulate ideas on the lower levels of the polity and to decide about the relative value of these ideas in closed Whitehall circles. What is missing almost completely in the British case is the strategy of "evasion". A notable example is the decision of the British government to completely decouple the RSA intervention from the ERDF, thus limiting the procedural and substantial influence of DG Regio on this policy. The only Commission directorate of importance here is DG Competition. The relatively less stricter standards concerning state aid in the British case have made it possible for the government to pursue a policy of international competition for mobile investment in the disguise of a genuine regional policy. A strong indicator that the former British government did not genuinely believe in the value and purpose of regional policy is the stipulation that RSA support is principally excluded should the investor plan to relocate investment within the UK. Attracting inward investment, not relocating wealth within national borders, is the prime purpose of the RSA policy. The European context of state aid has been important here in securing that inward investment has to be brought to assisted areas designed for RSA purposes and approved by the Commission under state aid rules. Were it not for that European state aid regime, Great Britain would probably lack a regional industrial policy altogether.

IV Conclusion

The two tracks of the development of a regionally differentiated policy of the European Community have put member state control over policy development into question. The European Commission is able to prohibit regional policy measures where it deems them unacceptable in the light of the cohesion objective (that is, mostly in the wealthier member states), while at the same time being able to offer aid from its own sources to distressed regions. The result is that due to the "contending spaces" in the multi-level system of the EC, there are also contending definitions of the public good: From a European perspective, the EC is able to define both what is not conducive to cohesion (i.e. which state aids are in a danger of distorting competition in the Common Market), while at the same time being also able to define what *is* conducive to the goal of cohesion and to distribute financial benefits: sometimes to the very same regions where according to the Competition Directorate national aid is not permitted. German observers annoyed with this development have spoken of a "double lock" (*Zangengriff*) that is put on domestic regional policy, and a potential danger for member state autonomy in this policy area (cf. Neupert 1987, Tetsch 1994). Yet, my contention is that it would be too simple to see this process as a fight over policy authority between the Commission and the member states. It is the gradual mobilisation and integration of national and subnational actors into policy-making, the diffusion of policy-relevant ideas and, last but not least, the financial resources offered from the EC budget that have dynamized conflicts over policy. To that extent, supranational governance has increasingly penetrated member state policy making. It offers an alternative point of reference for all those that may wish to change the course of policy.

A second observation to be made is with regard to the literature that seeks to explain europeanization processes and the relation that such processes have with existing arrangements at the domestic level. The concept of 'goodness of fit' has been at the focus of the recent debates in the field (see Börzel 1999 and Green Cowles, Caporaso / Risse 2000 as proponents of that concept and Knill / Lehmkuhl 1999, Kohler-Koch 2000 and Radaelli 2000 for rather more sceptical accounts) The basic idea behind the 'goodness of fit' hypothesis is simple: The existence of a prescriptive European policy model generates some adaptation pressure onto domestic policy. The better the 'fit' between the national and the European model, the lesser the pressure for adaptation. On the other hand, when the distance between the two models is too large, policy change is likely to be blocked, because the change required overstretches the adaptation capabilities of the domestic policies and institutions.[25]

While the two examples of Great Britain and Germany may seem to be good examples for the goodness of fit hypothesis, two caveats should be added: It is true that policy change in Germany has been more or less blocked, while due to the better 'fit' between British regional regeneration policy and the European model and due to the less strictly defined eligibility criteria the adaptation pressure raised by the ERDF was smaller in Britain and policy change was not required. Yet, the ERDF model has become a common point of reference for regional policy discussions in Germany, and it may well be that more thorough reforms are undertaken in the future.

25 In this debate, the sceptical accounts of Knill and Lehmkuhl and Radaelli do not call into question the basic logic of that approach However, they point out important additional explanatory variables, in particular the way in which a European policy can 'frame' domestic debates While Knill and Lehmkuhl argue that particular European policies can change domestic opportunity structures even in the absence of a strong adaptation pressure, Radaelli gives the concept of 'framing' a more cognitive twist.

Furthermore. the most significant effect of the presence of the ERDF in these two countries seem to be the emergence of a ERDF-supported regional policy that runs parallel to the established domestic policies rather than transforming them. This latter point is a finding that cannot easily be accommodated within the goodness of fit hypothesis. Further research could show whether this tendency can be explained by the distributive character of regional policy, or whether it is a more general trend. In any case, the idea of adaptation pressure seems to be too closely related to regulatory policies of the EC and the question of implementation and compliance by the member states to be of value as a general model of europeanization.

A final observation relates to the alternative conceptualisation of europeanization presented in section 2 of the present paper. I am sceptical that 'Europeanization' can be understood in terms of a rival hypothesis to other possible explanations of policy change (cf. Radaelli 2000: 25). Rather, we have to understand how the embedding of the West European nation states in a dense web of EU institutions and policies contribute to changed forms of governance and a different application of existing instruments (Kohler-Koch 2000). To that extent, the present paper has shown that the logic of domestic policy and institutional development can no longer be understood irrespective of the EC context.

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