CENTRE AND PERIPHERY IN THE EUROPEAN UNION:
THE DOMESTIC POLITICS OF BASQUE ACTIVISM IN EUROPE

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This paper explores the politics of centre-periphery relations and its impact on the domestic dimension of EU member states’ EU decisions. Central government positions on EU issues are shaped by a range of influences, and in the case of Spain and many other EU member states, these influences include pressures from regional actors. Taking the case of Spain, this paper explores the conditions under which the Spanish central government chooses to take up and defend in the EU issues proposed to it by the government of the Autonomous Community of Basque Country. An examination of co-operation between Basque and Spanish central governments is particularly relevant in light of more common characterisations of the Basque government’s strategy on EU issues as a ‘go it alone’ strategy, where Basque politicians independently seek alliances with EU actors or pursue issues which central governments oppose. Original empirical research presented in the paper shows that party links between regional and central government actors are a particularly important factor influencing central government decisions to support Basque government preferences in the EU. There are other factors, however, and these include the likelihood of material advantages for the state as a whole and the timing and political sensitivity of a particular EU issue. The significance of these findings is that they show that the Spanish central government’s role as a mediator between Autonomous Communities and EU institutions is more complex than a superficial reading of the state government’s ‘gatekeeping’ abilities and their institutional predominance in the EU’s Council of Ministers might suggest. Without an understanding of the complexity within the domestic dimension of EU decision-making, and particularly of the politics of centre-periphery relations within EU member states, a vital part of the story about regions’ engagement in the process of European integration is not being told.
Introduction

In recent decades, the phenomena of regionalism and European integration have become firmly-fused. The European Union’s (EU) policies and institutional architecture, for instance, have become more ‘region-friendly’ and regional actors’ attempts to influence EU decisions have been an important manifestation of regional activism. However, a central failing of the literature analysing regionalism and European integration is that it tends to leave unanswered key questions about the politics of centre-periphery relations within EU member states. There are two dimensions of this omission. On the one hand, as Charley Jeffrey observes, many analyses of regionalism and European integration neglect intra-state aspects of substate governmental participation in EU policy-making and thereby fail to recognise the importance of substate territorial mobilisation through established structures of the state.¹ On the other hand, as Brian Hocking points out, regions have often been cast as unitary actors, or a kind of ‘black box’.² This characterisation ignores the fact that regions ‘embrace a diversity of interests’ and that there are complex patterns of relationships between regional actors and those both inside and outside the setting of a region’s own state. A key consequence of this dual tendency is that the impact of linkages between regional and central government actors on states’ EU decisions is poorly understood. There has been little attempt to analyse the internal politics of member state mediation between regions and EU institutions, or to explore how central governments respond to the diversity of regional preferences they may be asked to support at the EU level. Very little systematic attention has been given to analysing how party politics, or the compatibility of regional and central government goals might affect co-operation between political actors at these two territorial levels.

Responding to the need to better understand the domestic politics of regionalism and European integration, this paper explores the conditions under which central governments agree to defend regional preferences at the EU level. Although this question could be asked of all EU regions, this paper addresses it by studying the

response of the Spanish central government to calls for support on EU issues from the
government of the Autonomous Community of the Basque Country (henceforth ‘the Basque government’). The Basque Country is a particularly interesting case through which to explore centre-periphery relations in the context of the EU. Basque governments have often been formed from parties representing a diversity of interests and, at least on the matter of Basque ‘self-determination’ and the autonomy issue, they have frequently been composed of parties pursuing contradictory goals. Between most of 1987 and 1998, the Basque government was run by a coalition centred on the moderate Basque Nationalist Party (in Spanish the Partido Nacionalista Vasco or the PNV) and the Basque branch of the state-wide Spanish Socialist and Workers Party (in Spanish the Partido Socialista Obrero Español -Partido Socialista de Euskadi or the PSOE-PSE). This has produced a complex pattern of relationships between regional and central governments. Throughout most of the duration of the PNV and PSOE-PSE Basque government coalitions, the PSOE-PSE could be sure the central government would pay it particular attention because the Madrid government was run by their partisans in the Spanish socialist party (in Spanish the Partido Socialista Obrero Español, or to distinguish it from the Basque branch, the PSOE). After 1996, the Spanish central government was run by the Popular Party, but it did so with the support, established through a 1996 legislative pact, with the Basque Nationalist party (PNV), the other major coalition partner in the Basque government. This configuration of party-political relationships provides an interesting opportunity to explore the impact of party links between regional and state-level actors on central government EU decisions. Moreover, by exploring instances of co-operation between Basque and central government actors, it becomes possible to look beyond the more immediate, headline grabbing characterisation of the Basque government’s strategy on EU issues as a ‘go-it-alone’ orientation where Basque politicians independently seek alliances with EU actors or pursue issues which the central government opposes.

3 At other times, Basque governments have been led by the PNV on its own, or in coalition with other parties.
4 The PSOE governed in Madrid between 1982 and 1996.
5 The PP formed a minority government between March 1996 and October 2000, but obtained the parliamentary support of, among others, PNV MPs in the Spanish parliament. While the PNV-PP pact was in operation, the PNV was a major coalition partner in all Basque governments.
The paper examines these questions in the context of four Basque government EU campaigns roughly covering the period from Spanish accession to the EU in 1986 to the present. The first two cases examine the response of the Spanish central government to Basque EU campaigns when the Spanish socialists governed in Madrid and as part of a coalition government in the Basque Country. Analysis begins with a Basque government campaign to ensure EU transport network priority projects included a high-speed train route through the Basque Country. This is followed by examination of a Basque government campaign to influence EU regional policy decisions affecting Basque regional state aid allowances. The second two cases address the response of the central government to Basque EU campaigns timed when less-solid political ties linked the PP central government with the PNV part of the Basque government. The third Basque government campaign examined concerns attempts to increase Basque structural fund allocations in the recent Agenda 2000 round of EU regional policy reforms. The final case looks at the response of the central government to a Basque government campaign to dissuade the EU from ruling that politically sensitive Basque taxation measures contravened EU competition laws. These four cases were chosen for their coincidence with different configurations of party-political links. However, this does not mean that relationships between actors at Basque and central levels are the only factors that might influence central government decisions to defend regional preferences at the EU level. In addition to the importance of party links, analysis seeks to consider the importance of other contingencies on central government decisions to support regions’ EU campaigns, including whether EU decisions will help improve the material interests of the country as a whole, whether sensitive political issues are involved, or whether the timing of a campaign makes action politically expedient.

*The ‘Basque Y’ High Speed Train Campaign*

One of the most exciting aspects of the post-Single European Act revival of EU transport policy was an attempt to harness the integrative potential of new railway technologies through the development of an EU-wide high speed train (HST) network. Establishing an EU HST route involved mapping key routes that would, in the long-term, provide the basis for more co-ordinated member state and EU spending on the
necessary transport infrastructure. The potential economic benefits accruing to areas along the routes of the future HST network encouraged many regions to try to influence relevant EU transport decisions. This section examines the Basque government’s campaign to ensure that its priority HST project known as the ‘Basque Y’ was incorporated into the EU’s transport network plans. The Basque Y project encapsulates plans for a HST link between France and Spain via the Basque town Irún and a HST link between the three Basque capitals Bilbao, Vitoria and San Sebastián.

The Basque government sought to influence EU transport network decisions through a variety of means. In this campaign, however, Basque government involvement in the Atlantic Arc was emblematic. The Atlantic Arc is at once a geographical area, a series of trans-national regional associations and a unifying ‘idea’. As a geographical area, the Atlantic Arc encompasses regions located along the European Atlantic coast, including most of the regions between Scotland in the north and Andalusia in the south. In its most concrete form, the Atlantic Arc is a regions association formed as the Atlantic Arc Commission within the Conference of Peripheral Maritime Regions in 1989. The Basque government was an enthusiastic participant in this association. It was also instrumental in the formation of the Conference of the Southern European Atlantic, which was another regional association set up in 1990 but later absorbed by Atlantic Arc Commission.

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6 Early moves to map the routes of the EU HST network did not get very far but the issue was taken up with more determination in the Maastricht Treaty negotiations. In the Maastricht Treaty, member states incorporated ambitions for an EU-wide HST network into broader plans for ‘Trans-European Networks’ in transport, energy and telecommunications domains (Title XII, Articles 129b-d). After around a decade of attempts, legislation was finally approved detailing key HST and other transport routes in the definitive Trans-European transport network. See Decision No. 1692/96/EC of the European Parliament and of the Council of 23 July 1996 on Community guidelines for the development of the trans-European transport network, OJ L 228, 9.9.1996, p. 1-103.


8 The Atlantic Arc Commission aimed to develop co-operation among conference members along the Atlantic seaboard ‘to overcome the handicap of their peripheral geographical situation which distanced them from the areas of economic growth situated in the centre of Europe and the Mediterranean’.

9 The priority objectives of the Conference of the Southern European Atlantic included co-operation in the fields of transport, telecommunications and energy infrastructures, agriculture, maritime activities, culture, tourism and the environment.
The Atlantic Arc can also be considered a unifying concept. Regions involved in Atlantic Arc activities dedicated energy and resources to the elaboration and propagation of the idea that their area was a needy and marginalised zone of the EU. Emphasis was placed on the shared inconvenience of geographic peripherality and the common threat of marginalisation as a consequence of the EU single market, economic and monetary union and EU enlargement to the east. Basque politicians used the Atlantic Arc idea in their strategy to convince the central government to defend inclusion of the Basque Y in EU transport network plans. In large part, the Atlantic Arc idea served as a banner under which Basque politicians could articulate concerns about what might happen if the central government sought to include only transport infrastructure plans along the so-called ‘Mediterranean Arc’. Existing central government transport infrastructure policy favoured development along the Mediterranean zone, as the plans for HST links between Seville, Madrid and France via Barcelona indicated, and it was feared that these, rather than the Basque Y would be defended in Brussels. The idea of a needy and marginalised Atlantic Arc provided the language and arguments through which Basque politicians could suggest that prioritisation of the Mediterranean at the expense of the Atlantic Arc would show a lack of solidarity with an already disadvantaged and isolated zone.

However, a crucial ingredient was needed to convert the Atlantic Arc from a formula uniting opposition to what looked like a central government preference for the Mediterranean Arc in EU transport policy networks into an instrument for obtaining central government support on the Basque Y in Brussels. This crucial ingredient appears to have been the position of the Basque socialists (PSOE-PSE) on the Atlantic Arc issue and the pressure this position created for their PSOE partisans running the central government to make concessions. The popularity of the Atlantic Arc idea in the Basque Country was reflected in an unusual level of consensus among Basque political parties, including the PNV and PSOE-PSE centred Basque government coalition partners. In the Atlantic Arc, there was profit for the Basque nationalist

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12 See expressions of consensus see, for example, Debate y resolución definitiva de la Proposición no de Ley Formulada por el Grupo Parlamento Euskadiko Ezkerra, en relación con la inclusión de
agenda. There were points to be scored against Madrid, institutional links were forged with French Basque provinces and the PNV Basque President José Antonio Ardanza played a high-profile ‘foreign policy’ role thanks to ample press coverage. In contrast, the issue of Atlantic Arc co-operation presented more of a dilemma than an opportunity for the PSOE-PSE. On the one hand, it would have been very difficult for any Basque party to position itself against the Atlantic Arc, especially if co-operation under this banner succeeded in attracting HSTs and other important transport infrastructure investments. On the other hand, supporting a movement predicated on the argument, on the Spanish side at least, that the PSOE central government was favouring the Mediterranean to the detriment of the Atlantic Arc, would be an act against the policies of its fellow PSOE members. The PSOE-PSE had to choose between siding with other Basque political parties on a popular local issue or to step back in the name of party loyalty.

The path the PSOE-PSE chose was a middle way. The PSOE-PSE generally defended central government decisions and it tended to eschew the terminology of competing ‘Atlantic’ and ‘Mediterranean’ Arcs and thus the implication of unwarranted favouritism for the latter. At the same time, PSOE-PSE Basque government ministers took part in Atlantic Arc activities. It even enjoyed a certain protagonism through its control between 1987 and 1991 of the strategically important Transport ministry of the Basque government. The position was not always easy to maintain. In early 1989, for example, when the central government chose to begin construction

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13 The newspaper articles cited in the section bear testimony to the popularity of the Atlantic Arc theme in the Basque press. The articles cited here, however, represent only a small proportion of the total amount of press articles dealing with the issue.
14 See comments by the representative of the Basque parliament Socialist group and future Basque government minister, José Antonio Maturana in Debate y resolución definitiva de la Proposición no de ley formulada por el Grupo Parlamentario Popular, relativa a acciones conjuntas de impulso del Eje Atlántico en el País Vasco y otras Comunidades Autónomas, Basque Parliament, 3 July 1991.
15 The PSOE-PSE transport minister, Pedro Ruiz de Alegria, for example, chaired the Transport infrastructure committee of the Conference of the Southern European Atlantic when it agreed to a common position which formed the basis of a petition to central governments on EU HST networks.
of HST links to France via Catalonia, the PSOE-PSE transport minister described the decision as ‘extremely confusing’ and insisted he would ask the central government for an explanation. On this occasion, the PNV added to the pressure when it described the central government decision as ‘an act of hostility towards the Basque country and its coalition government’. If the PSOE-PSE was to maintain its position mid-way between supporting a popular local cause and fellow PSOE members in Madrid, the PSOE-PSE needed the central government to throw it a line.

The PSOE-PSE’s compromise position gave the Basque government a strong hand for getting the support of the central government on Basque transport infrastructure projects in the EU. Members of the PSOE-PSE pressed the PSOE-central government to make concessions to Atlantic Arc infrastructure projects like the Basque Y. PSOE-PSE Basque government ministers were involved and sometimes protagonists in the formation of Atlantic Arc petitions to central governments articulating the demands of Atlantic regions. Moreover, by getting together with other Autonomous Community governments with significant PSOE representation, the concerns of the Atlantic Arc became harder for the party as a whole to ignore. PSOE-PSE was not the only voice within the Spanish Socialist party defending the Atlantic Arc. PSOE politicians occupied leading positions in Autonomous Community governments of most active Spanish Atlantic Arc regions at some time during the movement’s active period in the late 1980s and early 1990s.

In the face of the pressure from their PSOE Atlantic Arc partisans, the Spanish central government eventually agreed to make important concessions. In the Basque Country this came in the form of an Infrastructures Pact agreed in February 1989 between the

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17 ‘Guevara califica de <<acto de hostilidad hacia Euskadi>> la decision de dar prioridad a Cataluña en la alta velocidad’, El Correo, 12 January 1989.
18 ‘Las regiones atlánticas del sur de Europa piden cambios en la red ferroviaria de alta velocidad propuesta por la CE’, El Correo, 28 April 1990. See also supra 15.
19 Asturias, for example, has is a PSOE stronghold, and in Galicia in the late 1980s and Cantabria in the early 1990s PSOE held key posts, including presidencies, in Autonomous Community coalition governments. El País Anuario, 1989, 1988, 1989, 1990, 1991.
PNV and PSOE parties at both state and Basque levels. Central government concessions to Basque and other Atlantic Arc regions in Spain also took the form of a promise to defend the inclusion of transport infrastructure development along both the Atlantic and Mediterranean Arcs in the EU’s plans to develop Europe-wide transport networks. More specifically the central government’s concession to Spanish Atlantic regions took the form of a commitment to defend the inclusion of a HST link with France via both the Basque border town Irún and the Catalán town, Port Bou as well as the other Basque Y HST links between Bilbao, Vitoria and San Sebastián.

The proximity of the February 1989 agreement and the central government’s commitment to defend the Atlantic Arc in the EU to the October 1989 Spanish general elections appears to confirm the PSOE central government’s concern that its electoral support in the Basque Country might have been effected by the Atlantic Arc issue. As one Basque opposition member pointed out, the agreement provided a chance for the PSOE to ‘sell’ the pact to Basque voters as an important achievement of PSOE-PNV co-operation.

Carrying through on its commitment, the Spanish central government ensured both Basque and Catalán HST links with France were incorporated into a December 1990 EU Council of Ministers Resolution on the long-term plans for developing a European HST network. From this point, the Basque government had reason to be satisfied that their priorities would form part of the trans-European transport networks. The 1990 EU Council of Ministers Resolution established the principle, subsequently

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20 The pact mostly related to the allocation, between different levels of government, of technical and planning responsibilities for future infrastructure developments rather than firm commitments to undertake infrastructure projects like the Basque ‘Y’.


applied in all important EC proposals and resolutions, that HST links between Spain and France would take place at both Basque and Catalan borders.\textsuperscript{25} When the 1996 Trans-European Network legislation finalising EU transport network maps was adopted, consistent Spanish central government support ensured that inclusion of the Basque Y was not in question.\textsuperscript{26}

\textit{The ‘First ERDF Map’ Campaign}

The EU’s regional policy aims to reduce variations between EU regions’ living standards and economic development. Disadvantaged regions are able to tap into billions of euro’s worth of ‘structural funds’ mainly for contributions to productive investments, infrastructure and small business projects. Also under the rubric of EU regional policy are regional state aid rules, or EU laws on the permissible levels of state aid which can be directed towards regions. The EU’s regional state aid competencies and particularly the financial incentive of EU structural fund grants has attracted the attention of Basque and indeed many other substate governments. The paper examines two Basque government campaigns to influence EU regional policy decisions, beginning, in this section, with the late-1980s ‘First ERDF map’ campaign to increase Basque regional state aid allowances. This is followed in the next section, by examination of the more recent campaign to increase Basque Structural Fund allocations in the wake of the European Commissions’ \textit{Agenda 2000} proposals on structural fund reforms.

The Basque government’s ‘First ERDF Map’ campaign aimed to convince the European Commission to change its mind on the regional state aid allowances set for the Basque Country in 1987. The EU treaties give the European Commission some of

\textsuperscript{24} Council Resolution of 17 December 1990 on the development of a European High Speed Rail Network OJ C 33 p.1, 8.2.91.


its most powerful prerogatives in the field of state aids. Where these concern regions, the Commission is charged with establishing maximum levels of financial subsidies for economic development objectives that public authorities are allowed to offer in a particular region. The ‘First ERDF map’ was the name given to a May 1987 Commission Decision which, among other things, set out regional state aid allowances for different parts of Spain, including different parts of the Basque Autonomous Community. Reference to the European Regional Development Fund (the ERDF), which is one of the three main financial instruments of the Structural Funds, acknowledges the fact that the Map also detailed which zones in Spain were eligible for these structural funds. With regard to regional state aid allowances, the Map permitted public subsidies in parts of the Basque provinces of Álava and Vizcaya and all of Guipúzcoa ranging between 20% and 30% for investments in firms locating in these areas. However, around a year after publication of the Map, the Basque government showed its dissatisfaction with state aid limits and initiated a campaign to get the Commission to increase the allowances. The Basque government’s core objective was to have the 20% and 30% regional state aid limits increased to 50%, except for the special case of the Left Bank of the Nervión River in Bilbao, for which they sought to have allowances increased to 75%. The Basque Left Bank, which is located on the south-west side of the Nervión River as it runs through Bilbao, was one of the areas hardest hit by a profound economic crisis in the Basque Country beginning in the late 1970s. Its regeneration has long been one of the Basque government’s key economic priorities.

A delegation of senior Basque ministers was sent to Brussels to persuade the European Commission to revise their earlier regional state aid rulings. Despite the Commission’s recourse to economic criteria in its regional state aid allowance

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decisions, the Basque delegation’s arguments were mainly political.\textsuperscript{31} The Basque government compared their own problems of social conflict and the effect this had on the Basque economy to the social and economic problems of Northern Ireland.\textsuperscript{32} In recognition of Northern Ireland’s special problems, UK public authorities were allowed to grant the highest possible, 75% regional state aid allowances in Northern Ireland even though it did not meet key economic criteria. The Basque delegation argued that the Basque Country faced similar social and economic problems and that at the time, Northern Ireland’s GNP per capita of 86\% was nearly the same as the Basque Country’s. On these grounds, they argued, the Basque Country should, like Northern Ireland, be allowed the maximum 75\% regional state aids allowances.

There was a domestic dimension to the First ERDF Map campaign too. The central government had been called on to make representations on behalf of the Basque government and it responded positively.\textsuperscript{33} According statements made in the Basque parliament, Basque and central governments had agreed upon a division of labour on the issue. The Basque government would send a delegation to test the waters in Brussels and to ‘raise awareness’. The central government would subsequently present a formal petition on the matter and pursue it further through ‘personal’ contacts. While this agreement was ostensibly between the Basque and central governments, there are strong reasons to suppose that the agreement was a matter negotiated between the PSOE-PSE members of the Basque government and their socialist partisans running the Spanish central government at the time. The Basque delegation was predominantly a PSOE-PSE affair. It was headed by the PSOE-PSE Basque vice-president, Ramon Jaúregui, and other key socialist Basque government ministers. The PNV minister responsible for Relations with the European Community, Andoni Monforte, was involved, but this participation was more of a token gesture of PNV support. Usually, the PNV Basque President, José Antonio Ardanza, undertook such important ‘foreign policy’ duties. Stronger evidence of the PNV’s attempts to distance itself can be seen in the fact that just a few days after the PSOE-PSE-led delegation’s


\textsuperscript{32} ‘El Gobierno Vasco solicitará a la CEE la concesión de las ayudas máximas para Euskadi’, El Correo, 11 July 1988
visit to Brussels, the PNV president Ardanza led a parallel mission to Brussels where he discussed the very same issue.  

Differences between PSOE-PSE and PNV Basque government coalition partners on this issue and the fact that different parties in the Basque government pursued the issue differently provides an interesting illustration of a more generalisable feature of relations between Basque and central governments on EU issues. In this case, links between political actors at different territorial levels through the Socialist party were an important part of the relationship between Basque and state level political arenas, but it was predominantly a linkage between the PSOE-PSE part of the Basque government. PNV and PSOE-PSE Basque government coalition partners tended to deal with programmatic differences by allowing departments lead by ministers from different parties to operate as autonomous party fiefdoms, or as some have suggested as ‘two governments’. This is what appears to have happened in relation to the ERDF Map Campaign. While the PNV-led departments stood back, including the presidency department which has responsibility for European affairs, the socialist-led Economic and Planning department conducted its own campaign on the First ERDF map. Given the differences between Basque political parties on EU issues more generally, this fragmentation of Basque government strategy can be observed in other areas of activity. The PNV-led Agriculture department, for example, has taken policy stances and employed strategies spurned by PSOE-dominated departments.  

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34 Ibid.  
36 The main differences between Basque political parties on EU issues concerns views on acceptable strategies for Autonomous Community involvement in EU decision-making rather than matters of substance. Around the time of the ERDF Map campaign, Basque nationalist parties, including the PNV, tended to emphasise the importance of direct contacts between the Basque government and EU institutions. In contrast, state-wide political parties with representation in the Basque country, including the PSOE, tended to emphasise the ‘unity of the Spanish state’ and the competence of the central government in matters of foreign affairs. See debate 1986 Basque parliament debate, Resolution on the Execution of an Integrative Development Operation in the Basque Regions Situated on Both Sides of the [Spanish-French] Border, 26 June 1986.  
37 In interviews with the author in September 1999, Basque government agriculture officials described a penchant for by-passing and out-maneouvring the central government on programme submissions and requests for information. Representatives of other Basque government departments confirmed the Agricultural department’s reputation for side-stepping the central government when it could.
In the end, the ‘First ERDF campaign’ came to nothing. The Commission did not agree to change its regional state aid allowances for the Basque Country on this occasion. The central government did appear later to have stepped back from the campaign by sending the Commission an informal letter rather than a formal petition on the matter.\(^{38}\) However, it is possible to argue that the PSOE-PSE, having tested the waters in Brussels communicated the impression that the European Commission was unlikely to accept comparisons between the Basque Country and Northern Ireland. This view is supported comments made by Ramon Jaúregui, the leader of the PSOE-PSE delegation in a recent interview with the author.\(^{39}\)

**The Campaign for ‘Objective 1’ Status for the Basque Left Bank**

In 1997, the European Commission published its ‘Agenda 2000’ proposals for reforming the EU in anticipation of enlargement to the east.\(^{40}\) Among other things, Agenda 2000 outlined proposals for reforming EU structural funds, some of which had significant implications for the Basque Country. The most important proposed reform was the Commission’s emphasis on the ‘concentration’ principle, which would involve committing more structural funds on the EU’s ‘least developed’ regions. This affected the Basque Country because the concentration of financial resources on the EU’s ‘least developed’ regions meant that financial resources would be directed away from the needs of ‘regions in industrial decline’, like the Basque Country. In March 1998, the European Commission initiated the post-Agenda 2000 round of structural fund reforms with a legislative proposal incorporating many of its Agenda 2000 suggestions, including measures for a stricter application of the ‘concentration’ principle. In response, the Basque government launched a campaign to fight the effects of a stricter application of the concentration principle and to the minimalise expected reductions in Basque structural fund allocations.

The main objective of the campaign was to have the area known as the Basque Left Bank’ classified as a priority ‘Objective 1’ region. Regions eligible for EU structural

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\(^{38}\) See *Resolution formulada por el grupo parlamentario Eusko Alkartasua sobre la declaración del País como zona industrial en declive*, Basque Parliament, 13 October 1988.  

\(^{39}\) Interview with Ramon Jaúregui, Congress of Deputies, Madrid, Spain. 20 September 2000.  

funds are categorised with reference to a series of structural fund objectives.\textsuperscript{41} ‘Objective 1’ aimed to promote the development of the EU’s poorest regions and for this reason ‘Objective 1’ regions have always received the lion’s share of structural funds. Until 1999, ‘Objective 2’ has focused on the problems of regions facing economic decline, but compared to the Objective 1 regions’ receipt of around 65\% of total structural funds, Objective 2 regions have had to share around 10-11\%.\textsuperscript{42} Given that most of the Basque Country was ‘Objective 2’ territory, and the reform process initiated in 1997 meant Objective 2 allocations were likely to be reduced in favour of more seriously underdeveloped, Objective 1 regions, the Basque government calculated that the best way to get a bigger cut of the structural funds was to try to tap into money put aside for Objective 1.

The problem with this strategy was that areas the size of the Basque Left Bank could only be categorised as an Objective 1 regions in rare circumstances. As a rule, Objective 1 eligible regions must have GDP per capita of less than 75\% of the EC/EU average.\textsuperscript{43} On these grounds the Basque Country was not eligible, seeing it had never had a GDP per capita level this low.\textsuperscript{44} A second Objective 1 eligibility criteria was that regions must be NUTS level II, which in the case of Spain corresponds to a whole Autonomous Community.\textsuperscript{45} The Left Bank did not meet this criteria either: It only encompasses a number of municipalities in Greater Bilbao, one of the major

\textsuperscript{44} According to EC statistics the Basque Country has never had a GDP per capita of less than 75\% the EC/EU average, although at some low points statistics have come quite close. From a low of 79.3\% EC average GDP per capita in 1985, Basque GDP per capita grew to around 85.6\% of the EC average by 1996. The Basque figures have consistently been around 10\% higher that the Spanish level of GDP per capita. Commission of the European Communities, Representation in Spain (1999) ‘El País Vasco en la Unión Europea’, pp. 12.
\textsuperscript{45} NUTS is an acronym for the EU’s regional classification system known as the Nomeclature of units for territorial statistics. In the case of Spain, NUTS level 3 corresponds to the provincial level, NUTS level 2 to Autonomous Communities and NUTS level 1 to groups of Autonomous Communities. Keating, M (1995) ‘Europeanism and Regionalism’, in Keating, M and Jones, B \textit{The European Union and the Regions}, (Oxford University Press: Oxford), p. 18.
conurbations within the Autonomous Community of the Basque Country. The way the Basque government tried to get around this was twofold. On the one hand, it pointed out that on their own, the Left Bank municipalities had a GDP per capita level below the 75% EU average threshold. On the other, the Basque government pointed to the existence of numerous exceptions to the NUTs level II rule.

By the time the Basque Left Bank campaign was up and running, the key political links between the Basque and central governments were through the PNV and Popular Party (PP). In March 1996 general elections, the PP overtook PSOE as the largest party at state level, but the PP’s failure to obtain an absolute majority meant it negotiated an alliance with minority nationalist parties in the Spanish Cortes, including the five PNV deputies. The alliance between PP and PNV was never easy but the existence of a negotiated pact between two historically antagonistic political movements was widely seen at the time as a harbinger of more fruitful relations between the two parties. In the months prior to publication of Agenda 2000 in 1997, improved relations between the PNV and PP spurred co-operation on the broader issue of Left Bank regeneration. In February 1997, the PP, PNV and PSOE-PSE brokered an agreement whereby the institutions they controlled at central, Basque and local levels would work together to ‘revitalise’ areas of the Left Bank most punished by the economic crisis. The central government promised to match the money Basque authorities spent on Left Bank regeneration and a special committee composed of ministers and other high-level politicians from central, Basque and local governments was set up to oversee the initiative. Moreover, in the 1997 Agreement the central government agreed to seek economic backing in the EU for the most important Left Bank redevelopment projects. At the time, the prospect of Basque-central government co-operation on obtaining EU funds for the Left Bank looked promising.

46 ‘El PNV pide al Gobierno que definida ante la UE los 35.000 millones que recive Euskadi’, El Correo, 19 March 1998 and ‘Bruselas cree imposible ampliar los fondos comunitarios para la Margen Izquierda’, El Correo, 6 November 1998.
47 See for example comments by the Basque President, Juan José Ibarretxe in ‘El PNV alcanza el <<acuerdo de investidura>> con el PP y culmina el respaldo nacionalista a Aznar>> El Mundo, 30 April 1996 and comments by the Spanish central government interior minister Jaime Mayor Oreja in Major Oreja califica el pacto de espaldarazo’, El Mundo, 30 April 1996.
Despite improved relations between the PP and PNV and attitudes more favourable to compromise and accommodation on Left Bank development, the PP central government did not look kindly upon the Basque government’s EU Left Bank campaign. As the Basque government’s EU campaign crystallised around obtaining exceptional Objective 1 status for the Basque Left Bank, the central and Basque governments parted ways. The central government emphasised its support for obtaining more EU funds for the Left Bank, but it was opposed to the Basque government’s strategy for doing so. For the central government, the Basque government’s attempt to extend exceptional eligibility for Objective 1 created a dangerous precedent which could reduce the amount of Structural Funding available for Spain as a whole. The reasoning was that if the Left Bank was granted exceptional Objective 1 status, then other poorer zones in richer countries could justifiably claim similar exceptions. This could cause a drain upon funds available for Objective 1 regions proper which would be particularly detrimental to Spain as a whole, which was the largest recipient of Objective 1 funding.

The Basque government rejected the central government’s argument that exceptional Objective 1 status for the Left Bank would deplete Spain’s overall Objective 1 allocations and sought to persuade the central government to support its Left Bank strategy through a variety of means. Basque government officials publicly criticised what they saw as central government ‘passivity’ and charged that the central government was damaging the defence of the Left Bank in the EU. PNV deputies in the Spanish Cortes teamed up with Valencian Union deputies to presented a motion

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49 'El PP dice que no se opone a que la comarca reciba más ayudas de la UE’, *El Correo*, 21 November 1998

50 'El Gobierno vasco busca apoyos políticos para elevar las ayudas de la UE a la Margen Izquierda’, *El Correo*, 15 November 1998; see also newspaper interview with Jaime Valdivielso a Partido Popular MEP describing his party’s view on the issue in ‘No podemos promover una irresponsabilidad’, *El Correo*, 29 November 1998.

51 For example in 1994-99 Spain received nearly twice as much Objective 1 funding than any other member state. In this period it was allocated ECU 26 300 million compared to the next largest recipient, Italy, which was allocated ECU 14 860 million. Cited in Commission of the European Communities, *Europe at the service of regional development*, 2nd edition, 1996, p. 15.

52 ‘El Gobierno vasco busca apoyos políticos para elevar las ayudas de la UE a la Margen Izquierda’, *El Correo*, 15 November 1998.

urging the central government to defend the existence of Objective 1 exceptions like the Basque Left Bank.\textsuperscript{54} There were also attempts to pressure the PP in Madrid via their local branch in the Basque Country with a Basque government call for a common front uniting all Basque political parties in the defence of the Left Bank.\textsuperscript{55} The central government, which refused to change its mind on the issue, never lost the support of the Basque PP, which continued to supported the views of their partisans at the central level.\textsuperscript{56}

The end result of the campaign was that in this, as in the ERDF Map campaign, the Basque government did not achieve its primary objective in relation to exceptional ‘Objective 1’ status for the Basque Left Bank. The fact that the Basque Left Bank campaign was fought against the objectives and preferences of the Spanish central government appears to have been an important reason for the campaign’s ultimate failure. It was not the only reason. The tide was turning against the practice of allowing exceptions to the rules for Objective 1 eligibility. The Basque government had a hard time finding the support of those in EU institutions like the Commission and the European Parliament, both of which frowned upon the extension of Objective 1 exceptions.\textsuperscript{57}

One last observation on the Basque government’s Left Bank campaign needs to be made before going on to examine the response of the central government to the last Basque government EU campaign. In November 1998, at the height of the Basque Left Bank campaign, the committee established by the above-mentioned 1997 Agreement met to discuss progress on Left Bank regeneration.\textsuperscript{58} Although the meeting clearly failed to produce a common PNV-PP position on EU level strategies, it did culminate in an agreement whereby the central government agreed to increase its

\textsuperscript{54} ‘La Margen Izquierda pierde la primera gran batalla para recibir más ayudas de la UE’, \textit{El Correo}, 20 November 1998.
\textsuperscript{55} ‘El gobierno vasco busca apoyos políticos para elevar las ayudas de la UE a la Margen Izquierda’, \textit{El Correo}, 15 November 1998.
\textsuperscript{56} ‘El PP duda del plan para elevar las aportaciones de la UE a la Margen Izquierda’, \textit{El Correo}, 17 November 1998.
\textsuperscript{58} ‘PNV, PP and EA hacen frente común en el plan de la Margen Izquierda tras el desmarque del PSE’, \textit{El Correo}, 21 November 1998.
contribution to Left Bank regeneration by 1.100 million pesetas. This was not presented as ‘compensation’ for its failure to support the Basque government’s Left Bank campaign, but the effect of the grant on the relations between the two governments did have the equivalent effect to such an act of central government largesse. For example, after months of what was described in the press as ‘strong confrontation’ between industry ministries at central and Basque levels and amidst charges of central government ‘passivity’, the Basque PNV industry minister, Javier Reteguí, changed his tune. In a press interview after the meeting, Reteguí was sure to mention the ‘good relations’ between the Basque and central governments on the Left Bank and emphasised the ‘complete understanding’ between different-level governments on the issue of the Left Bank. Thus, the existence of a legislative pact between the PNV and the PP did appear to produce results at the level of central and Basque government co-operation on Left Bank regeneration more generally, even though it did not bear fruit at the level of co-operation on having it classed as an exceptional Objective 1 region.

The Defence of Basque Taxation Regimes

The final Basque government EU campaign examined in the paper concerns a long-running, and still on-going dispute between Basque and EU-level institutions on the legality of key Basque taxation measures. Almost as soon as the Spain joined the EU in 1986, the European Commission began to take an interest in Basque taxation measures. By the late 1990s, the number of EU institutions investigating Basque taxation measures increased and the EU began to challenge more than just the application of certain taxation measures. The Commission, the European Court of Justice and a high-level group of EU member state representatives which had been set up to examine harmful tax competition, began to ask questions that cut to the heart of some important elements of Basque self-government in the field of taxation. This section examines the campaign launched by the Basque authorities to defend their taxation prerogatives in the face of these EU-level challenges.

As part of the post-Franco constitutional settlement, special dispensation was made for the devolution of an extensive range of taxation competencies to Navarre and the Basque historic territories (or provinces) within the Basque Autonomous Community, Álava, Guipúzcoa and Vizcaya. The taxation competencies for historic territories within the Basque Autonomous Community are regulated in accordance with the 1981 Economic Agreement negotiated by the historic territories and the state. Within certain limits, the Economic Agreement gives the historic territories competence to ‘maintain, establish and regulate, within their territories, the taxation system’ and executive responsibility for ‘levying, administration, settlement, inspection, revision and collection of the taxes and duties comprising the tax system(s)’. They are competent to regulate and collect personal income, wealth, corporation, inheritance and gift taxes and are responsible for administering collection of VAT and certain other special indirect taxes. Furthermore, in contrast to the general system in Spain, the Basque historic territories transfer a pre-agreed amount of their tax revenue to the state (called the ‘Quota’) to pay for State services not assumed by the Basque autonomous community.

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62 The taxation prerogatives of the Basque province Navarre, which chose to become a single-province autonomous community rather than join the historic territories in the Basque autonomous community, are regulated according to a separate Economic Agreement.

63 ‘Economic Agreement Between the State and the Autonomous Community of the Basque Country – amended text as of May 27, 1997.'
autonomous community. It is important to note that while taxation competencies belong to the historic territories, the institutions of the Basque Autonomous Community do play a role in this field, including a leading role in the defence of the Basque taxation system before the EU.

It would be difficult to overstate the political and symbolic significance of these devolved taxation powers in contemporary Basque politics. The taxation prerogatives recognised ‘historic rights’ of the Basque provinces, whose emasculation during the 19th century was a source of tension between central and Basque authorities and a principal grievance of Basque nationalism. While restoration of the Basque taxation regime was institutionalised as a central element of the new democratic constitutional and legal order after the death of Franco in 1975, operationalisation of the Economic Agreement remains a contentious issue. Both the PSOE and Popular Party have expressed misgivings about special privileges the taxation regime might give Basques and the effects the regimes might have on the fiscal unity of the state, equality of the tax burden and financial solidarity with the rest of the state. 64 Such concerns have prompted central governments of both stripes to challenge many Basque taxation measures in the Spanish courts (around 100 by January 2000).

The EU legal challenges came on top of those initiated by the central government. EU institutions’ concerns have focused on the issue of whether Basque fiscal incentives for firms investing in the Basque Country are compatible with the competition imperatives of the European common market. The European Commission has initiated a number of investigations on the legality of these fiscal incentives under EU competition rules on state aids and the European Court of Justice (ECJ) was bought into the conflict as Basque authorities began appealing Commission decisions. 65 Amidst the accumulation of cases challenging the legality of the Basque taxation measures, questions were soon raised, albeit indirectly, about whether the actual

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64 These issues were raised, for example in relation to the 1997 amendments to the Economic Agreement. They figured among the Spanish Socialists’ reasons for abstaining in the vote approving amendments to the Economic agreement. See Diary of Sessions of the Spanish Congress of Deputies, Plenary Session, No. 91, 24 June 1997.

65 See for example Commission Decision 99/718/EC of 24 February 1999 concerning State Aid granted by Spain to Daewoo Electronics Manufacturing España. There are currently six cases appealing...
prerogatives permitting Basque authorities to introduce such fiscal incentives were compatible with EU competition law. In 1997, the ECJ was asked by a Spanish court to make a preliminary ruling on this very issue, a ruling which looked like it could settle the issue once and for all.\textsuperscript{66}

Controversially, the matter found its way into the ECJ’s jurisdiction by way of a ‘preliminary ruling’ procedure in which the original dispute had been initiated by the central government. Under EU law, national courts are not allowed to rule on points of EU law and so must refer questions about such matters to the ECJ in what is known as a ‘preliminary ruling’ procedure. The ECJ was being asked to consider a case which had been initiated in the national courts by the central government against the Basque authorities. Even more problematic was the fact that Spanish arrangements for the involvement of Autonomous Communities in ECJ proceedings meant that only the central government could lead the legal defence of the Basque taxation prerogatives in the ECJ case itself!\textsuperscript{67} In this situation, an atmosphere of distrust and suspicion developed over the sincerity of the central government’s commitment to defend the Economic Agreement. Senior figures in the Basque government and executive institutions of historic territories spoke of the impending ‘death’ of the Economic Agreement and pointed to dramatic consequences if the ECJ case went against them. For example, there was talk of a ‘revolt and non-co-operation’ on the part of Basque institutions and the need to completely renegotiate political formulas guaranteeing ‘historic rights’ if the Basque authorities were not able to use the questioned Commission decisions about Basque taxation concessions to encourage investment pending in the ECJ’s Court of First Instance.

\textsuperscript{66} For details on the ECJ preliminary ruling case Conclusiones del Abogado General Sr. Antonio Saggio, presentadas el 1 de julio de 1999, Asuntos acumulados C-400/97, C-401/97 y C-402/97 Administración del Estado contra Juntas Generales de Guipúzcoa y otros, ECJ, 1 July 1999; on the high-level group of EU member state representatives set up to examine harmful tax competition see .

\textsuperscript{67} Spanish arrangements for the participation of Autonomous Community in ECJ proceedings are regulated in accordance with the following agreements: Acuerdo de 29/11/1990 para regular la intervención de las Comunidades Autónomas en las actuaciones del Estado en procedimientos de la Comisión y de las Comunidades Europeas en los asuntos relacionados con el Tribunal de Justicia de las Comunidades Europeas que afectan a sus competencias, Boletín Oficial del Estado, 216 of 8/9/1992, page 30853; Acuerdo de 11/12/1997 relativo a la participación de las Comunidades Autónomas en los procedimientos ante el Tribunal de Justicia de las Comunidades Europeas, Boletín Oficial del Estado, 79 of 2/4/1998, page 11352. The Basque government refused to sign up to these agreements because the central government was clearly privileged in relation to Autonomous Communities, even in areas where exclusive competencies had been transferred to the latter. Nevertheless, the Basque authorities had access to EU institutions in accordance with practices established in these Agreements
prerogatives any more.\textsuperscript{68} Claiming the defence of the Basque taxation regimes for itself, the Basque government launched a campaign to make EU officials ‘understand’ the ‘real’ nature of the Basque taxation regime.

The weakness of channels for independent Autonomous Community participation in EU decisions of this nature and the preponderance of central government mediation in access to the relevant EU fora focused the attention of Basque authorities on negotiating the support of the central government. The ECJ proceedings took place in a context of seriously strained relations between what was by that time the Popular Party (PP) central government and Basque nationalist parties (including the PNV) governing in the Basque Country without the PSE. Tensions over the Economic Agreement were compounded by the confrontation of the PP and PNV on the issue of terrorism in the wake of ETA’s 1998 ceasefire and its later resumption of violence. Nevertheless, the Economic Agreement had been a central part of the historic 1996 agreement between the PNV and PP in which the PNV agreed to support Aznar’s investiture as President of the Spanish government. While the spirit of cooperation that the pact appeared to herald in 1996 had been seriously undermined by disagreement over terrorism strategies, commitments to ‘propel’ institutional dialogue between Basque and central administrations on the Economic Agreement were more enduring. One reason why this may have been so was the imminence of the Spanish general elections. As one commentator suggested, by resolving the issue before the March 2000 elections, ‘Aznar [was] trying to show public opinion in the Basque Country that his grave strategic differences with the PNV on the peace process are not going to affect institutional relations between his government and that of [the Basque nationalists].’\textsuperscript{69}

\textsuperscript{68} Juan José Ibarretxe, president of the Basque government since 1998, for example, said EU rulings against Basque taxation measures would suppose ‘letting the Economic Agreement die’; ‘Ibarretxe: la ilegalización de los incentivos fiscales, ‘la muerte’ del concierto’, Cinco Días, 4 July 1999. Similarly, the deputy-general of Guipúzcoa warned of ‘political complications’ and the possible need for ‘new political formulas to guarantee our historic rights’, while his equivalent in Vizcaya, Josu Bergara, warned of ‘revolt’ if the Economic Agreement was questioned by the judges. See also comments made by Ramon Sadupe, Deputy-General of the foral Council of Guipuzcoa reported in ‘Los jueces actúan con criterios políticos contra el Concierto’, El Correo, 7 March 1999 and reports of comments by Josu Bergara, Deputy-General of the foral Council of Vizcaya, in ‘Empresarios e instituciones apuestan por cerrar filas en defensa del Concierto’, El Correo, 4 May 1999 and ‘La Hacienda vasca advierte que se declarará insumisa si se vulnera su soberanía tributaria’, Expansion, 15 January 1999).

\textsuperscript{69} Aizpeolea, L ‘El Gobierno negocia con Vitoria para retirar sus recursos sobre el concierto vasco’, El País, 4 January 2000.
In the context of such significant disagreements between the PP-PNV, the influence of their 1996 pact on co-operation between Basque and Spanish authorities in the ECJ case is particularly striking. Despite the anomalous position of the central government as both (indirect) ‘challenger’ and ‘defender’ in the ECJ case, the central government supported the position of the Basque authorities in the ECJ. Basque authorities and the central government agreed a common position that formed the basis of the defence of the Economic Agreement. Arguments employed showed the central government was not adverse to using its ‘big guns’. Basque and central authorities appealed to the sanctity of Spanish constitutional arrangements underpinning the Basque taxation prerogatives and didn’t hold back from arguing a negative ruling ‘would be the same as emitting a value judgement on the constitutional structure of the Spanish state’. However, when the influential ECJ official, Advocate-General Antonio Saggio, published an opinion likely to convince ECJ judges to declare the Basque prerogatives in question illegal, the central government had to pursue another strategy. There was another way in which the issue at question could be solved, or at least postponed: The central government could withdraw the legal challenge in the Spanish court which had introduced the preliminary ruling procedure to the ECJ in the first place. Pursuing this option, the central government returned to conflict to the realm of Spanish politics.

With the Spanish General elections for March 2000 on the horizon, PP’s president of the Spanish government, José María Aznar, apparently wanted to resolve the confrontation and negotiate what became known as the ‘fiscal peace’ before polling. In January 2000, after six months of intense negotiations and more than ten years of conflict over taxation, the central and Basque authorities reached an agreement whereby the central government would withdraw all pending legal challenges and Basque authorities would abolish the most contentious investment incentive measures. The Spanish courts subsequently withdrew their request for the ECJ

70 Cited in Conclusiones del Abogado General Sr. Antonio Saggio, presentadas el 1 de julio de 1999...
71 Ibid.
preliminary ruling and the case at the centre of the dispute at the EU level was dropped.

**Conclusion**

This paper explores the domestic dimension of EU decision-making through an examination of central government motivations for defending regional preferences at the EU level. The cases analysed show that co-operation between Basque and central governments is never assured. With the exception of the First ERDF map campaign, each of the issues examined generated conflict between Basque and central governments. The Basque Y HST campaign, attempts to get Objective 1 status for the Basque Left Bank and especially the defence of the Basque taxation regimes all involved vociferous and very public accusations that the central government was failing to defend the vital interests of the Basque Country in the EU. Significantly, these criticisms were mostly levelled by Basque nationalists, who could use the image of a ‘passive’ and ‘neglectful’ central government to justify the mobilisation of the PNV-controlled machinery within the Basque government for conducting ‘European affairs’. However, evidence presented in the paper suggests that the very high-profile and sometimes controversial attempts of Basque nationalists to ‘go it alone’ and independently approach EU actors and institutions for support on issues that go against the grain of central government policies are only part of the story.

In the first place, the Autonomous Community of the Basque Country is, like many other EU regions, characterised by a diversity of interests and complex patterns of relations between actors at Basque and state levels. The PNV may have controlled the European affairs machinery of the Basque government, but they did not govern alone and they did not monopolise the Basque government’s EU activity completely. As the first ERDF map campaign showed, the PNV was not the only part of the Basque government which sought to ‘go direct to Brussels’. The first ERDF map was a predominantly PSOE-PSE affair led by the PSOE-PSE vice President Ramon Jaúregui and the PSOE-PSE Economy and Planning department. The crucial difference was, of course, that the PSOE-PSE campaign had the blessing of the PSOE central government while the PNV-led campaigns had to be tolerated by central governments.
More importantly, both the PSOE-PSE-led First ERDF map campaign and the other three, mostly PNV-led campaigns relied on the support of the central government. As analysis of these cases showed, party-political links between Basque and central government actors was an important factor explaining central government motivations for eventually taking up Basque government EU campaigns and defending them in the EU. In the first, ‘Basque Y’ HST campaign, the PSOE central government’s decision to support construction of HSTs across the Franco-Spanish border along both the Atlantic and Mediterranean Arc appear to have been influenced by pressure from the PSOE-PSE and other Atlantic Arc PSOE parties. The interests of the PSOE team running the central government in the good fortunes of the PSOE-PSE provided a strong incentive for the former to use its position of power in Madrid to respond to the latter’s concerns. Without some form of concessions on Atlantic Arc demands, PSOE-PSE’s attempt to defend both the decision of the PSOE central government and to rally in behind a popular local issue would have become increasingly hard to sustain.

Similarly, in the first ERDF map campaign, central government support was related to party links between Spanish socialists in the central and Basque government. Even though co-operation was ostensibly between Basque and central governments, the campaign was a principally PSOE-PSE affair, with only minimal involvement from the PNV part of the Basque government departments with general responsibility for ‘European affairs’. Perhaps more than anything else, this evidence of fragmentation in the Basque government’s EU strategy provides an important indication of the dangers of characterising internationally-active regions as coherent, unitary actors. Without an understanding of the coalition politics of the Basque government, the importance of party-political links between Spanish and Basque socialists is a lot harder to detect.

Although party-political links between the PNV and PP are a great deal weaker, they do appear to have had some bearing on central government behaviour in relation to Basque EU campaigns. In the campaign to defend the Basque taxation regime in the ECJ, the 1996 PP-PNV legislative pact was not enough to prevent central governments from challenging Basque taxation measures in the national courts, or by extension, to prevent the initiation of the contentious ECJ preliminary ruling case itself. But when the Basque taxation measures were before the ECJ and it looked likely that this EU institutions would rule upon the legality of the disputed Basque
taxation measures once and for all, the 1996 PP-PNV pact did appear to acquire some level of importance. Even though these two parties were pitched against each other in a vicious war of words on the issue of terrorism, honouring of commitments on the Basque taxation regimes outlined in the 1996 pact were considered to be politically expedient and a compromise which went a long way towards resolving the issue was reached. Similarly, even in the campaign to have the Basque Left Bank categorised as an Objective 1 area, where the central government did not offer its support, the existence of a pact between the PNV and PP on Left Bank regeneration did appear to have some bearing. The two parties’ commitment to redevelopment of the Left Bank did not underpin co-operation on the objective of objective 1 status for the zone, but the central government’s promise to increase spending under the auspices of the pact did help bring conflict between the parties over Objective 1 status to an end.

While the four case studies highlighted the importance of party links between Basque and central government actors as a key factor influencing the latter’s decisions to support the regional preferences in the EU, other factors were important too. The central government’s refusal to support the Basque government’s campaign on Objective 1 status for the Basque Left Bank on the grounds that this would disadvantage the rest of the state points to the importance of calculations about material benefits in central government decisions to support regional EU campaigns. Similarly, the political significance of the Basque taxation regime as a present-day recognition of historic rights and its centrality in the post-Franco devolution settlement meant that central government support in the crucial ECJ case was politically expedient. It is true that the central government was responsible for initiating the case that led to the ECJ preliminary ruling case in the first place. But if the central government had refused to defend the Basque taxation regime in the ECJ, it was likely to have provoked serious conflict in the already tense post-ceasefire atmosphere in the Basque Country. Finally, in the ‘Basque Y’ HST campaign and again in the Basque taxation regime case, the proximity of general elections made central government support for these campaigns particularly judicious. In the ‘Basque Y’ HST campaign, the central and Basque government’s February 1989 Infrastructure Pact and the central government’s promise to support both Atlantic and Mediterranean Arcs in EU transport network decisions was conspicuously close to the October 1989
general elections. The popularity of the Atlantic Arc in the Basque Country and other northern Spanish regions meant that the PSOE’s fortunes in the Atlantic area might have been damaged if concessions had not been made. The central government’s decision to negotiate the so-called ‘fiscal peace’ with Basque authorities after it became likely that the ECJ would rule against them was also initiated months before the March 2000 general election. The pact was eventually adopted in January 2000, allowing the ECJ case to be dropped and the central government to extract itself from a potentially damaging conflict with Basque authorities over the emasculation of the Basque taxation regime.

From the foregoing, it is possible to conclude that the Spanish central government’s role as a mediator between regions and EU institutions is more complex than a superficial reading of central governments’ ‘gatekeeping’ abilities and their institutional predominance in the EU’s Council of Ministers might suggest. Central government decisions on EU issues are shaped by a range of influences, and in the case of Spain and many other EU member states, these influences include pressures from regional actors. However, central governments cannot take on all of these demands for support and so must select which issues it will help defend and which ones it will eschew. Findings presented in this paper show that party links between regional and central governments are an especially important factor influencing central government decisions to support a particular region’s preferences in the EU. There are other factors too, including the likelihood of material advantages for the state as a whole and the timing and political sensitivity of a particular EU issue. Without an understanding of this complexity within the domestic dimension of EU decision-making, and particularly the politics of centre-periphery relations within EU member states, a vital part of the story about the implications of regionalism and European integration is not being told.

References


