Bargaining Power of Nordic-Baltic coalition in EU Council Negotiations

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Abstract
Negotiations in the European Union Council of Ministers are not only taking place within formal decision-making structures. Member states strive to find allies and coordinate their positions prior to formal negotiation meetings. They either create ad hoc coalitions to pool voting power or cooperate within more durable institutionalised coalitions that traditionally exist on a geographical proximity basis. Institutionalised coalitions bestow their members with a bargaining advantage even if they cannot generate enough voting weight to reach voting thresholds. My argument is that cooperation within institutionalised coalitions enhances the bargaining power of its participants through three mechanisms: an exchange of information, which counterbalances the asymmetries in information distribution in the pre-negotiation stage(s); the pooling of expertise that allows the member states to share resources and provide common argumentation for their positions and the ‘rhetorical action’ that strengthens normative justifications. This argument differs from existing research that suggests that durable coalitions can influence the preferences of participating member states. I test my argument based on a study of the Nordic-Baltic coalition’s role in the negotiations on climate policy, the Stockholm programme and the Baltic Sea strategy. The evidence, largely gained through elite interviews, confirms the argument by showing that institutionalised coalitions provide their members with better information and expertise, and allow them to jointly frame arguments in favour of their positions, thus generating a bargaining advantage for them. The study also highlights the limitations of regional cooperation within the EU that stem from the heterogeneity of policy preferences.

Keywords: Bargaining, coalitions, institutionalised, EU Council, pre-negotiation phase

Introduction
Informal interaction, consulting and coordination have increasingly become a part of the negotiation process in the EU. Pre-agreement beyond the formal decision-making scope is facilitated by informal cooperation prior to meetings (Meerts and Cede 2004), with the aim of these interactions being to informally exchange views before formal negotiations start and to increase bargaining power through joint action. The agreements reached at the pre-negotiation stage can lead to common understanding by parties that serve as the basis for final agreement in the formal negotiation stage (Stein 1989, Blavoukos and Pagoulatos 2011).

While large EU member states have advantage of structural power in terms of territory, population and economic strength (Moravcsik 1998, Shure and Verdun 2006), small states’ bargaining power increasingly depends on behavioural power resources, such as coalition building.

Coalition-building in terms of coordinated action in reaching jointly agreed goals (Elgström et al. 2001) has been widely acknowledged by the existing scholarship as a strategic behaviour of power pooling. One can even say that the coalitional behaviour is an inevitable part of EU decision-making (Klemenčič 2005). When voting by unanimity, each
actor has the formal power of blocking a decision by vetoing. Yet, only 30% of all Council decisions are taken by applying a unanimity voting rule (Wallace et al. 2010:95). Member states therefore have to consider various strategies of increasing their bargaining power under the qualified majority voting (QMV) rule where they can be easily overruled (Cede 2004:37). By selecting *ad hoc* peers, member states aim to reach blocking minorities or winning majorities through aggregating votes (Winkler 1998, Hosli 1999, Reynaud et al. 2008, Hosli et al. 2009). Such coalitions are short-term cooperation arrangements with a low degree of institutionalisation.

Apart from the *ad hoc* coalitions, scholars distinguish more consistent alignments of actors or “solid coalitions” (Blavoukos and Pagoulatos 2011:570) with considerable degree of institutionalisation in terms of established cooperation structure, interaction frequency, durability and advanced internal coordination. Such more durable coalitions are created with the intention of solving joint problems and achieving cooperative gains (Powell 1999:219) and may operate on a common geographic-proximity basis. More durable inter-governmental territorial cooperation, e.g. Benelux, Visegrád, Nordic-Baltic, has been labelled in the literature as country ‘partnerships’, ‘alignments’, ‘blocs’, ‘alliances’ or ‘groupings’ (Hosli 1999; Panke 2008; Thomson 2009, Tallberg 2010a; Blavoukos and Pagoulatos 2011; Klemenčič 2011). This study applies the term ‘institutionalised coalition’ by emphasising the deliberate choice of governments in engaging themselves in a structured and repeated cooperative action with stable peers.

Pre-meeting coordination within institutionalised coalitions is usually held through informal consultations. It has become a tradition that the Prime Ministers and ministers meet during the breakfast meetings in the run-up to the European Council and Council meetings. The effects of institutionalised coalitions on the bargaining outcome are, however, largely unexplored. The issue of power-pooling through institutionalised cooperation at the preparatory phase of the negotiations is almost missing in the explanations of bargaining power. Drawing on coalition theory one could assume that the member states strive to aggregate their voting power in order to reach the blocking minority by building coalitions (Winkler 1998, Hosli et al. 2009). This explanation, however, cannot be applied to explain territorial institutionalised coalitions, since their aggregated number of votes is usually insufficient for reaching the blocking threshold.

How can we therefore explain the existence of institutionalised coalitions in Council negotiations? One could expect institutions to be established because member states strive to overcome collective action problems (Stacey and Rittberger 2003:864), to reduce the transaction costs of bargaining (Tallberg 2010b:635) or to deal with information uncertainty (Moravcsik 1997:522). If these meetings would not serve the common beneficiary goal of fulfilling the expected function, the practice of consulting and exchanging views prior to EU meetings would hardly remain. This paper does not pose the question whether the territorial coalitions still exist; it assumes that they do. The question that has to be answered here is – to what extent and under what conditions can the institutionalised coalitions (that do not make up a blocking minority) enhance member states’ bargaining power?

Defining bargaining power as actors ability to shift negotiation outcomes towards its own ideal point, I argue that institutionalised coalitions enhance the bargaining power of their members through three mechanisms: (1) the exchange of information that counterbalances the asymmetries in information distribution in the pre-negotiation stage; (2) the pooling of expertise that allows the member states to share resources and provide common argumentation for their positions and (3) ‘rhetorical action’, which strengthens normative justifications that may lead to normative entrapment of other member states outside the group (Schimmelfennig 2001, Grobe 2010).

The article is structured as follows. The first section presents the argument and elaborates on the causal mechanisms behind the effects of the institutionalised cooperation
on the bargaining power. The second section introduces the background of the Nordic-Baltic territorial coalition. In the fourth section presents evidence gathered in elite interviews on negotiations on three dossiers – the Baltic Sea strategy, the Stockholm programme, and the intra-EU climate negotiations. Finally, conclusions summarise the argument and outline the implications of this study for existing research.

**Institutionalised coalitions in Council negotiations**

Decision-making in the EU is largely shaped by the institutional arenas that structure the decision-making process. Council negotiations take place under provisions of rules and procedures both relating to the voting, interaction with EU institutions and member states at the Council working groups, meetings of COREPER and Minister meetings. Even when formal rules and procedures are in force, decision-making is greatly influenced by informal norms. Informal institutional rules in multilateral negotiations have become overruling (or are at least as important as formal rules) in explaining negotiation outcomes. The effects of informal norms and rules are often explained by sociological constructivism’s theoretical tools (Lewis 2003, 2005). Rule-guided behavior differs from strategic behavior in the sense that actors are not striving to maximize or optimise their given preferences, but choose behavior that is ‘appropriate’ (March and Olsen 1989:162). Institutions are supposed to shape actors’ preferences.

Informal institutions can also be approached from the rational choice perspective. According to the rationalist theoretical assumptions, institutions emerge as a result of actors’ interaction in order to achieve their cooperation goals. Behaviour of political actors is shaped by rules and procedures through which they maximise their utilities by calculating the best courses of action. One could expect institutions to be established because member states strive to overcome collective-action dilemmas, information asymmetries and dealing with transaction costs.

The concept of institutional efficiency was initially discussed by North (1990:3), who argued that “institutions are the rules of the game”; since the institutions provide specific structures, the actors can take advantage of these institutional conditions in multilateral communication. According to North, the “major role of institutions in a society is to reduce uncertainty by establishing a stable structure to human interaction” (ibid.:6). This paper argues that effects of durable and stable coalitions in the Council can be explained by institutional condition, i.e. an institutionalised environment within which the interaction among the coalition partners takes place. The notion of institutionalisation is determined by fulfilling three conditions: shared goals, underlying structures and interaction intensity.

Shared goals: Coalitions may share short-term or long-term goals. This distinction characterises *ad hoc* vs. institutionalised coalitions. The establishment of institutionalised territorial coalitions follows functional logic – member states create coordination formats with particular structures and cooperation procedures in order to fulfill a concrete task, i.e. increase communication efficiency and generate a bargaining advantage through mutual exchange. In a broader sense, coordination means an “act of working together” (Nedergaard 2008:3). Coordination of EU issues deals with the interaction between the “individual departments, agencies, politicians, and officials, involved in a particular policy area or with respect to an activity or task” (Kassim 2001:7). For coordination to be effective, it has to ensure that goals, activities and interdependences are present (Nedergaard 2008:4); coordination that does not follow shared goals fails. Likewise, shortages in communication amongst the actors diminishes coordination efficiency. On the other hand, effective coordination may counterbalance scarce resources because the mutual exchange is carried out rationally and in the most effective way. To this end, successful coordination depends on effective channels of communication, as well as the skills and expertise of the actors (ibid.:6). Effective intergovernmental coordination may result in formulating shared goals in common agreements by undertaking joint action. Institutionalised coalitions may present a common statement, a common position paper or express a position in
Council meetings through one coalition member on behalf of the group. “Speaking one voice” grants leverage in bargaining and can be perceived as a strategic behaviour of power-pooling (Meunier 2000, Selck and Kuipers 2005, Smith 2006).

Underlying structures: North (1990) pointed out that institutions provide specific structures that may be strategically used by actors in multilateral communication. When approaching institutionalised coalitions, by structures I understand the underlying framework of interaction (more or less formalised), communication channels and setting, as well as the internal procedures of interaction. Institutionalised coalitions largely rely on existing procedures and structures that can be characterised as informal cooperation networks as defined by Börzel (2010:194). Institutions as cooperation networks can be understood from a relational perspective, i.e. contacts, ties and connections of the actors (Elgström and Jönsson 2004, Naurin and Lindahl 2007). As channels of exchange, these institutional networks may stretch across territorial borders and frame trans-governmental links. Arregui and Thomson (2009:659) have argued that networks grant member states more bargaining power; since networks are limited to selected actors, they create „in-camera effects”. The in-camera setting of institutionalised coalitions ensures more openness and insulation, i.e. the ‘insiders’ may speak more frankly about their positions and exchange other valuable information about the ‘outsiders’.

Interaction intensity: In contrast to ad hoc coalitions, interaction within institutionalised coalitions is based on repeated and frequent interaction. Interaction intensity has an impact on institutional stability and on the outcome of negotiations; while interaction intensity can be measured in frequency of the contacts, the more frequent the interaction, the higher the stability of the institution (Barnett and Finnmore 1999). One could hypothesise that cooperation amongst the ministers who meet the most often is more advanced compared to formats with a low meeting frequency. Repeated interaction influences the efficiency of communication and outcomes in two ways – through developing an „in-camera” setting and by affecting the „shadow of the future” (Bearce et al. 2009, Warntjen 2010). Institutional environment may contribute to extending the shadow of the future and thus enhance the cooperative behaviour of negotiation actors (Fearon 1998:270). In institutionalised cooperation, the „shadow of future” is long enough to believe that concessions today will be „re-paid” in the future.

Effects of institutionalised cooperation on the member states’ bargaining power
This paper explains the effects of the institutionalised coalitions on the bargaining power with the help of three causal mechanisms – exchange of information, pooling of expertise, and through the ‘rhetorical action’.

Exchange of information. Negotiations in the EU are multilateral and highly complex, and as such, are characterised by uncertainty because of the large number of parties (Zartman and Maureen 1982; Odell 2010). Distribution of information can be seen as a source of power (Tallberg 2008; Bailer 2010). This study distinguishes between information and expertise as two separate concepts. Information is defined as an actor’s knowledge about the strategic conditions of negotiations, e.g. preferences information about other parties’ interests, national resistance points, domestic constraints and strategic moves of actors during negotiations (Tallberg 2008:696-701, Bailer 2010:756). Expertise is more related to the knowledge of the technical aspects, implementation consequences and understanding how the decision-making procedure works (Tallberg 2008:701).

What kind of uncertainties do member states face in EU negotiations? First, negotiations in the EU are multilateral, i.e. involve a large number of parties; the increasing number of participating actors raises transaction costs (Zartman and Berman 1982, Finke 2009, Odell 2010), leading some actors to be better informed than others. This creates asymmetries in information distribution.

Furthermore, access to information frames negotiation leverage (Dupont 1994, Shell 1999) because it gives an overview of the context in which the issue is discussed, what is at stake, what
the goals are and, finally, what the needs and preferences of other parties are. Parties that possess superior information are “better positioned to identify potential agreements and shape outcomes in their own favour” (Tallberg 2008:700). On the contrary, a scarcity of information hinders the efficiency of negotiations.

Second, according to rationalist explanations, actors may be unable to locate a mutually preferable negotiation settlement due to parties’ incentives to hide or misrepresent information. Negotiators are “dishonest about their true preferences” because then they can be easily “exploited” by others (Tallberg 2004:1001). Thus, the distribution of information itself can become a source of power (Bailer 2003, 2010) not only because of accessibility problems, but also due to the strategic dynamics that “result from the combination of asymmetric information and incentives to dissemble” (Fearon 1995:381). In the context of EU decision-making, member states may overestimate the success of their perceived strategies as a result of miscalculation of information provided by other member states. If their strategy is to reach a favourable outcome by joining other member states’ position (free-rider’s tactic), they may rely on information about others’ willingness to fight and fail if the other party turns out to have misrepresented real intentions. This is a reason why member states continuously use “corridor exchange” in order to check if other allies are still of the same opinion (Meerts and Cede 2004:132, Delereux 2009:201).

Institutions can provide actors with the additional resources to process information, hence the member states with scarce resources or experience may have difficulties in consistently processing the flow of information they have. Mutual cooperation may help them to sort and prioritise accessible information (Smith 2004:29). Institutionalised coalitions can facilitate information exchange and consequently grant additional bargaining power through two mechanisms – access to information and through processing information. Access to information that otherwise would be restricted for individual actors is perceived by member states as a benefit, particularly while the costs for membership in the coalition are low.

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

How can institutionalised cooperation contribute to a member state’s situation in negotiations and to what extent? One can expect that expertise-pooling will be enhanced through institutionalised cooperation. According to International Organisation theories, professionalism serves as one of the preconditions for insulation (Barnett and Finnmore 1999:723) and shapes the environment for normative orientation and creates communities of professional networks inside the organisation. Indeed, Elgström et al. (2001) have observed that knowledge is one of the most important determinants in choosing networking partners. Members of institutionalised coalitions may pool their knowledge on issue expertise and procedural-proficiency because of the duration of the cooperation by establishing networks of the epistemic community level and through inter-ministerial contacts that link experts who are working on the same dossier. Nedergaard (2009:23) finds evidence of such well-developed expert networks among the Nordic countries in frames of
cooperation within the strongly institutionalised framework of the Nordic Council of Ministers.

Expertise becomes an important determinant of a member state’s bargaining power in Council negotiations because actors argue about factual claims (Warntjen 2010:674), whereas the institutional set-up allows the coalition to develop a mutual “goal-oriented and strategic interaction” (ibid.) in framing a better argument. In cooperation with stable peers, each of the coalition members have expectations about others’ preferences, priorities and expert capacities. In long-standing relationships, actors reveal their positions more truthfully and explicitly. Coherent instead of constantly changing justifications will grant an advantage to the institutionalised coalition.

‘Rhetorical action’ refers to the joint development of a set of claims and justifications of positions with the purpose of convincing an audience or depriving opponents of rhetorical materials (Schimmelfennig 2001, Morin and Gold 2010:567). This definition indicates two important conditions of rhetorical action – the presence of an audience and mechanisms of convincing opponents. The concept of rhetorical action in the tradition of rational choice accounts was applied by Schimmelfennig (2001) in illustrating normative arguments that have been used by member states in justifying their bargaining positions regarding Eastern enlargement. As rational actors, member states are not interested in normative goals per se, but try to maximise their utility. They rather conform with norms by following cost-benefit calculations in order to avoid punishment in terms of exclusion or reputation damages. Rational actors enter negotiations with motivation to achieve their preferences. The process of exchanging arguments is “mere window dressing” (Grobe 2010:10) – what really counts is the persuad(ing) the public of the appropriateness of the bargaining position” by making reference to a normative goal. One can assume that the public is only partly informed and use cues in evaluating the actions of their governments. By using normative appeals, foreign governments may rhetorically address the public in other countries and rhetorically entrap their governments.

Legitimacy is an important condition for the entrapment hypothesis. For a collective decision to be legitimate, it must provide for the opportunity to offer justifications that are consistent with the idea of a common good. An actor or state is regarded as legitimate if its behaviour corresponds with practices that are highly valued in the given environment (Schimmelfennig 2000:116), while the EU is considered to be one of the most “normatively structured systems” (Thomas 2009:344). According to the rhetorical action model, a single member state or a group of member states present the justified position to the „audience” (the other actor/group of actors); “Once the audience is convinced by a particular position, the speaker opposing this position is literally left without a choice” (Grobe 2010:11) and the outsiders have to accept the position because they cannot resist if they do not want to lose credibility. If the government presenting convincing justifications for their positions uses rhetorical action strategically, it can grant a considerable bargaining advantage. A good argument here is not understood in light of the deliberative process that very much leads in the direction of sociological constructivism explanations (Risse 2000, Checkel 2002), but in rationalist accounts – approaching argument as means of leading to “better understanding of the problem at hand” (Grobe 2010).

How can institutionalised coalitions apply rhetorical action in enhancing their bargaining power? In order to commonly pool norm-consistent arguments, a „forum” is necessary (Thomas 2009). In other words, a single actor is less successful than a group where the physical environment of trust and norm-diffusion plays a role (Manners 2002). Morin and Gold (2010:567) argue that “participants must share a „common lifeworld”, i.e. a set of fundamental norms and system of beliefs against which they can weigh claims”. This „common lifeworld” is framed through communicative action – a prerequisite of institutionalised coalitions. Due to the institutionalised conditions of coalitions, their members develop mutual trust. Trust amongst cooperating parties creates incentives to be trustworthy and to engage in a process of argumentation. Thus, member states may use the institutional environment as an intervening mechanism in creating norm-based arguments and in jointly developing stronger normative
justifications for their positions acting as a group and thus rhetorically entrapping their opponents. By defining the conditions of institutionalisation and developing causality mechanisms drawing on three elements – the exchange of information, the pooling of expertise and strengthened normative justifications that may lead to rhetorical action – the paper hypothesises that: The higher the degree to which a coalition is institutionalised, the higher potential it has to increase its members’ bargaining power.

The Nordic-Baltic institutionalised interaction
This study defines Nordic-Baltic territorial partnership in coordinating EU policies as an institutionalised coalition. The regional cooperation around the Baltic Sea has originated from the Nordic cooperation and undergone several periods of structural changes and adjustments. After a failure to agree on regional economic cooperation in 1960s, the Nordic countries managed to find common grounds for political and cross-border cooperation by establishing regional cooperation structures: the Nordic Council and the Nordic Council of Ministers. Institutionalised interaction boosted the contacts and exchange among the countries and developed a distinct Nordic voice internationally in terms of their voting cohesion in multilateral negotiations in the UN (Laatikainen 2003). After the Baltic States’ accession to the EU, the core of regional cooperation shifted to the Baltic Sea region, which was more suitable to the geopolitical situation after the enlargement. Since 2004 a new institutionalised cooperation framework emerged, coordinating the positions of six member states: Sweden, Finland, Denmark, Estonia, Latvia and Lithuania, known under the acronym of NB6. Contrary to the Benelux cooperation, the NB6 framework does not operate on the basis of any formalised agreement. It was established after the Swedish initiative, with the goal of engaging the Baltic States in EU decision-making routines (interview 13.01.2010, Helsinki). The cooperation format is highly informal and rests upon the ‘tradition to consult the partners’ (interview 19.02.2010, Riga). NB6 consultations on the EU issues are held either in the capitals on expert and senior civil servant level, or within the network of the Permanent Representations in Brussels. The civil servants use to contact their counterparts at the ministries of the neighbouring countries in order to exchange information about their preferences and acquire the knowledge on technical and procedural aspects of the dossier. The most stable regional interaction format is the “NB6 breakfast”, held prior to the Foreign Affairs Council meetings and the European Councils. Other frequent interaction formats include the EU Directors’ meetings in advance to the incoming Council presidency, network of advisors to the Prime Ministers and expert-level interaction. ‘Capital format’ meetings have borrowed some organisational principles from the more persistent regional structures, such as the Nordic Council of Ministers or the Baltic Council, which share the administrative burden of maintaining operational activity by chairing the work on a rotating basis. Similarly to the formal regional cooperation structures, the members of the NB6 format „rotate“ hosting the meetings in their capitals, which includes agenda setting, the selection of participants and sometimes extending the group to additional actors.

It is noteworthy to point out that policy preferences constitute an essential background variable. The strength of institutionalised cooperation refers to mutual exchange and, where the policy preferences of the participating countries converge, possibly framing joint positions. Thus, a distinction has to be made between the level of cooperation in terms of a broader socio-economic space or the issue-level. Before EU membership, the institutionalised cooperation framework amongst the Nordic states concentrated on the fields of shared interests, particularly environmental policy, welfare policy and development policy, bypassing issues where preferences diverged, e.g. the neutrality policy of some of the Nordic states. Enlargement has further increased the heterogeneity of policy preferences amongst the members of the NB6 by bringing in new member states with less prosperous economies and less-advanced social welfare systems: this further translates into different policy preferences
on the issue level. According to the testimonies of the study “countries in the Nordic-Baltic area share a common footing for internal exchange, which enhances the flow of information across the region. However, at the level of concrete negotiations one can immediately observe that each country has its own interests and is bound by its political system and preferences” (interview, 3.06.2010, Stockholm).

The NB6 institutionalised coalition is often perceived by the international community as a group. Apart from realised power, the legacy of territorial institutionalised coalitions or perception by others that regions act together as blocs grants the members an advantage per se. For example, the Prime Minister, David Cameron, of the United Kingdom recently hosted a summit for the Nordic and Baltic States (NB6) in London (The Economist, 20.01.2011).

Research methodology

The independent variable – coalition building – represents variation on the degree of institutionalisation. The notion of coalition building is interpreted as deliberate intergovernmental cooperation behaviour in order to reach common goals (Elgström et al. 2001:113). Institutionalised versus ad hoc cooperation is spelled out by drawing on three conditions: more or less formal structures and procedures, which are supporting the channels of cooperation; frequency and continuity of interaction, and commonly defined goals. Furthermore, I conceptualise the second explanatory variable – preferences, by distinguishing between high and low convergence of preferences amongst the coalition. I approach preferences as prerequisites of cooperation within coalitions, because they determine “who is cooperating with whom” (Naurin 2008:4). Thus, they are not treated purely as independent variables but rather though selection of cooperation partners.

The study conceptualises bargaining power (dependent variable) as the capacity of the member states to achieve a distributional outcome in the Council negotiations that as closely as possible reflects its preferences (Tallberg 2008:687). Defining initial positions as policy positions and the applied positions as negotiation positions (Arregui 2008), the bargaining power is measured by the difference between the distance to outcome and the distance to reversion point. Reversion point, often treated as status quo, is the point where negotiations end up if the member states fail to reach the agreement.

Empirically, the paper focuses on the Nordic-Baltic grouping (NB6) comprising: Sweden, Denmark, Finland, Estonia, Latvia and Lithuania. I test hypotheses by a qualitative empirical approach in two steps. The first step draws on secondary data and on 17 surveys with government officials in the Nordic and the Baltic capitals. The main questions addressed here relate to the governments’ choices of the cooperation partners prior to the Council negotiations and the underlying motives behind these choices. The second step is conducted on the basis of three case studies selected by Mills’ method of difference and 34 semi-structured elite interviews and focus exclusively on the legislative negotiations on particular legislative dossiers – the Stockholm Programme, the Baltic Sea strategy and the EU negotiations on climate policy. In order to keep possible background variables constant, I choose the dossiers, which have been negotiated in the same time span - under the 2009 Swedish presidency - and with a similar adoption rule at the European Council.

Bargaining power of NB6 in Council negotiations.

By providing empirical evidence of members states’ interaction in institutionalised territorial coalition NB6, this section allows for testing the argument according to variation across independent variable. Three dossiers represent different degree of institutionalisation of NB6 cooperation and different heterogeneity of preferences. In negotiations on the Stockholm Programme and climate policy the policy preferences across NB6 are diverging, whereas, the Baltic Sea strategy demonstrates converging preferences and accordingly coherent and effective institutionalised regional interaction.
Stockholm Programme

The Stockholm Programme was negotiated by the Council of Ministers and adopted by the European Council during the Swedish Council presidency in fall 2009. The Programme constitutes a political agreement among the 27 member states in setting the agenda for the EU in the field of Justice and Home Affairs (JHA) for 2010-2014, and following the expiry of the previous Programme of such kind – the Hague Programme. The Stockholm Programme can be seen as one of the milestones in developing the EU into the Area of Freedom, Security and Justice (AFSJ) and deals with cooperation across borders, including prevention of cross-border crime, and relates to citizens and their security by improving the quality and compatibility of the legal systems and their possibility to move across the borders. Regarding its legal nature, the Stockholm Programme and its action plan are political documents which do not have legal force in terms of legally binding obligations on the member states. However, the legal acts following the multi-annual Programmes are binding. Hence, the Stockholm Programme was an important dossier for the governments, leaving its real impacts for the “translation into practical measures” (Miles 2010:85).

The main objective of the Programme was to “provide a framework for EU action on the questions of citizenship, justice, security, asylum and immigration for the next five years” (Commission Communication 10.06.09), by defining political priorities in the field of protection of fundamental rights, access to justice, development of domestic security strategy and establishment of common EU policy on immigration and asylum.

The dossier was negotiated by the Council on different decision-making levels. The Stockholm Programme was adopted by the December European Council, after passing JHA Council and GAERC (General Affairs and External Affairs Council). Negotiations in Brussels took place at COREPER II and JHA counsellors. In order to avoid controversies on political level in Brussels, the Swedish presidency arranged bilateral meetings with each member state separately in Stockholm (interview 22.01.2010). The dossier contained several issues where member states’ preferences diverged, such as the principle of mutual harmonisation of criminal law, the issue of the future shape of EU immigration and asylum policies, including sharing the burden among the member states, and the politically complicated question of ensuring balance between increased security and the protection of the individual human rights. The preferences of the Nordic and the Baltic member states widely diverged. NB6 members attached different importance to different issues. Sweden with one of the most liberal asylum policies in the EU, favoured a strong and comprehensive Common Asylum System within the Stockholm Programme, whereas Denmark was hardly pushing for strong language in the Stockholm Programme urging for stricter rules for family reunification. Danish government had identified Ireland and the UK as like-minded partners because of the Metock case, which attracted wide public attention and political significance relating concerns about fraud and abuse that may lead to an uncontrolled influx of third country nationals using arranged marriage as a means of settling in the EU (interview 25.01.2010, Copenhagen). Finnish delegation focused on mutual recognition of criminal law as its major issue of importance. Finally, the Baltic States called for raising awareness and a common understating in the EU about crimes committed by totalitarian regimes (Estonian position paper, 2009).

In spite of diverging preferences, the negotiations on Stockholm Programme, nevertheless, demonstrate the attempts of NB6 to apply the institutionalised cooperation prior to formal negotiations in Council. According to testimonies of the Nordic and Baltic informants, the Swedish Minister of Justice Beatrice Ask and the Minister for Migration and Asylum Policy Tobias Billström came up with an initiative to gather their NB6 colleagues in Stockholm. The aim of the informal regional meeting, held three months before the start of the Swedish presidency, was to find a “common ground” in preparations for the Stockholm Programme (interview 22.01.2010, Stockholm). The collaboration within the NB6 on the
Stockholm Programme was particularly beneficial considering that one of the NB6 members was within shortly taking over the Council presidency.

With respect to the different issues to which each of the NB6 members attached greatest weight, and because of the different preferred outcomes in the issues which were at the stake of all six member states, the NB6 cooperation did not further develop in framing a coordinated action in the Stockholm Programme dossier. Instead, the member states searched for like-minded ad hoc peers outside the NB6. This finding demonstrates that the condition of institutionalisation alone is not enough for granting the bargaining advantage if not also supported by converging preferences.

**EU negotiations on climate change**

The case of the EU internal negotiations before the Copenhagen Climate Change Conference in 2009 offers good possibilities for observing coalition-building because of variety of interests and the high stakes in reaching the agreement. The Copenhagen Conference aimed to agree on a comprehensive, ambitious, fair, science-based and legally binding international treaty from January 2013 (European Council Conclusions 29.10.2009). The Swedish presidency in fall 2009 faced a demanding task to consolidate the member states around a strong mandate that would maintain the standard bearer reputation of the EU (Parker and Karlsson 2010:924) and by its example encourage the international community to agree on ambitious commitments for the post-Kyoto phase. The individual member states entered the internal EU negotiations with uncertainty about the international players’ ambitions, and having worries on how individually to achieve the goals committed by the EU.

Under the internal EU climate negotiations in 2009 the policy preferences of the member states followed two lines – the ‘forerunners’ and the ‘hesitant’ member states. ‘Forerunners’ group was represented by Sweden, Denmark, the United Kingdom and the Netherlands, with Germany and France sending mixed messages, (interview 12.01.2010, Stockholm), and ‘hesitant countries’ framing a group of nine new member states that, supporting political commitments as such, opposed to contribute on the cost of their domestic economic and social well-being. The member states’ disparities in framing the EU mandate for the Copenhagen Conference can be narrowed down to four main issues:

- target set by the Commission to keep emissions within 30% by 2020;
- climate financing and the burden-sharing issue;
- issue on the LULUCF, i.e. Land-Use, Land-Use Change and Forestry;
- issue of the AUA, i.e. assigned amount units.

The internal EU climate negotiations represent a case where the policy preferences of the members across the NB6 regional grouping largely diverge. Sweden and Denmark belonged to the ‘forerunners’ with high individual ambitions regarding the emission reduction targets (interview 25.01.2009, Copenhagen). Finland, generally supporting the EU climate commitments, was more careful in claiming high unilateral commitment because of the competitiveness concerns of the industry (interview 12.01.2010, Helsinki). The Baltic States were internally split with Lithuania and Latvia supporting the coalition of new member states and Estonia staying outside any coalition. The institutional conditions of the NB6 ensured, however, that the exchange among its members took place, regardless their positioning on the issue. During the climate negotiations, the traditional meetings among the Prime Ministers of the NB6 were held as informal breakfast before the European Council meetings. They covered all agenda issues of the summit and the possible exchange of current political issues. On the political level the Ministers of Foreign Affairs informally discussed the GAERC agenda on the morning of October 26, and the Prime Ministers of the NB6 exchanged views in advance to October (29-30) European Council and December (11-12) European Council (interview 11.12.2009, Riga). The meetings mainly were used for explaining positions and exchanging information, since the all parties were aware about the preference divergence. The interaction within the institutionalised setup had at least some effects for the NB6 members – the members of the ‘hesitant’ group could gain understanding about their
positions, ‘cut the edges’ of their positions and everybody could test their negotiation positions and strategies in a smaller pre-negotiation format (interview 19.02.2010, Riga).

On the expert level the NB6 framework in climate negotiations, however, provided real bargaining advantage opportunities. LULUCF or Land-Use, Land-Use Change and Forestry implies a potential market instrument in “maintaining forests to counteract emissions from deforestation” in the climate change context (Naturvårdsverket 2006). Currently not being included in the Emission Trading Scheme, LULUCF opened up future possibilities for reducing emissions through allowing carbon sinks from the LULUCF sector. In regard to the post-2012 climate change regime, the EU had to agree internally on how to deal with the LULUCF credits. Nordic countries, in particular Finland and Sweden, identified a strong common interest in the LULUCF dossier. The Council working group on International Environment Issues started negotiations on LULUCF in the beginning of October 2009. The draft Council Conclusions had to decide on the accounting of the LULUCF in the context of the post-2012 climate agreement and the transmission of the AAU (assigned amount units, see explanations further) to the LULUCF scope. Analysis by the Commission proposed to account the forestry activities in the calculation of the 30% emission targets. The proposal was supported by countries which are rich in forests. On the expert group level the Baltic countries, having large territory coverage with forests, identified similar interests as the Nordic member states but having less expertise took an advantage of the NB6 interaction. Interviewees point out that the countries with less resources or expertise on the issue exploited their territorial partnerships in sharing knowledge about specific technical issues. Relying on the expertise of the „lead countries”, the coalition members assumed the role of „free-riders” and profited from the cooperation by enhancing their bargaining power. Accordingly, the coherence of the group on the LULUCF issue was gained through effective exchange in sharing expertise. After the discussions at the working group level, a distinct coalition was framed issuing a joint statement, which was attached to the Council minutes. NB6 interaction on LULUCF issue granted a bargaining power to the coalition which started with a territorial collaboration in terms of expertise-pooling on the technicalities of the issue.

**Baltic Sea strategy**

This dossier is probably the most convincing evidence for bargaining power of territorial institutionalised coalition because of high degree of institutionalisation and the convergence of preferences across the region. The Baltic Sea strategy presents a new model of macro-regional strategy aiming at coordinating EU policies in the region. The Baltic Sea macro-region, as defined by the strategy, comprises eight EU member states – Sweden, Denmark, Finland, Estonia, Latvia, Lithuania, Poland and Germany, with additional external link to the regional partners outside the EU i.e. Russia, Norway, and Iceland (EurActiv 4.11.2008). Six of the countries engaged in the macro-region comprise the core of the Nordic-Baltic territorial partnership NB6. Including Poland and part of Germany the territorial coalition within the Baltic Sea strategy dossier is here labelled as NB6+2.

Pointing out the socio-economic differences between the new and old member states and the regional challenges in terms of environmental problems and infrastructure disparities across the region, the scholars dealing with the Baltic Sea strategy called it a “test case for macro-regional cooperation” (Bengtsson 2009:1). The main objective of the strategy was to bring the Baltic Sea region closer to the EU by improving the economic and social integration, developing the infrastructure and jointly facing the environmental challenges. Five years after the enlargement, the region was facing several challenges: the Baltic Sea’s deterioration, poor interconnected economies, insufficiently developed transportation links, barriers to trade and isolation of the Baltic States in terms of energy supply. The Commission had identified that these problems could be boosted by better coordination of the existing policies and instruments.

A proactive cooperation within the NB6+2 started in 2005, when the informal group at the European Parliament (Europe Baltic Intergroup) made a public call for a comprehensive approach to the Baltic Sea region within the EU. The EP resolution on this issue was adopted in
November 2006, inviting the Commission to draft a proposal for the macro-regional strategy. The objectives of the new strategy were particularly significant for the Swedish government, and since the early stages of the initiative Sweden overtook the role of lead-country. The European Council in December 2007 invited “the Commission to present an EU strategy for the Baltic Sea region at the latest by June 2009. This strategy should inter alia help to address the urgent environment challenges related to the Baltic Sea” (Council Conclusions, 13.12.2007). The Commission published its proposal on 10 June 2009, shortly before the start of the Swedish Council presidency.

The emergence of new macro-regions raised two concerns among the negotiation actors in the Council. Firstly, the Commission, as well as some member states (Belgium, Portugal), wanted to secure that any fragmentation of EU cooperation that could stem from the emergence of smaller groups of states aggregating their particular interests beyond the overall EU cooperation framework should be avoided. The second concern, expressed by the member states outside the macro-region, was how to treat the term “macro-regional strategy” in the text of the Council Conclusions. This was because of the uncertainty of its relation to the cohesion-policy and the next multiannual Financial Framework of 2014-2020. There were no doubts that the new macro-regional strategy was inter alia linked to the debates about the cohesion policy, though in an indirect way. The strategy proposal was launched when the discussions for the approaching financial framework (2014-2020) were due to start (interview 11.12.2009, Riga). Some member states (Portugal and France) proposed to replace the “macro-regional strategy” with the “territorial strategy” that would carry a more appropriate wording in terms of the cohesion policy instruments. They were concerned about the “pot of money - if the macro-regional strategies would become a tool of taking money” (interview 01.26. 2010, Copenhagen).

The negotiations on the Council Conclusions for the Baltic Sea strategy demonstrated two important aspects of EU decision-making that were effectively applied by the NB6+2 coalition – the informal preparatory work prior to formal negotiations in the EU Council of Ministers, and internal coordination within the smaller group of actors thus enhancing their bargaining advantage vis-à-vis other negotiation actors. The Swedish government became one of the strongest advocates of the initiative and since 2007 had acted as a lead-country of the coalition for this dossier. This commitment was clearly expressed by the Swedish Minister of EU Affairs Cecilia Malmström in her speech to the European Parliament as early as on December 12, 2007: “We need to build support for the strategy in the region. We have come a long way already and we are pleased with the warm welcome by which these ideas have been received so far. My government will now continue an open and even closer cooperation with our partners. I am planning a meeting in Stockholm with all Baltic ministers in charge of European affairs next spring” (Speech by Malmström, Swedish Minister of EU Affairs 12.12.2007). Accordingly, the coordinated action of the NB6+2 started about 1,5 years before the publication of the Commission proposal on the strategy. About a year prior to the negotiations in the Council, the eight member states of the region nominated their “contact points” of the NB6+2, i.e. civil servants of ministries dealing with the dossier of the Baltic Sea strategy. Most often the “contact points” represented the Ministries of Foreign Affairs, with the exception of the Prime Ministers’ office (e.g. Sweden). Acting as focal points for their respective governments, these civil servants were assigned the role of internal coordinators and exchanged information within the NB6+2 (interview 22. 11.12.2009, Riga). The member states outside the region experienced a situation of considerable information distribution asymmetries at the first working group meeting. The ‘insiders’ were better informed about the political priorities of the proposal (since it was largely drafted basing on their proposals to the Commission). They were also better equipped with the procedural tools, having internal informal meetings beyond the formal negotiation framework. There were critical voices from the ‘outsiders’ on the fact “that the already agreed-upon paper was on the table” (interview 11.06.2010, Stockholm).

The negotiations on the Baltic Sea strategy give support for the rhetorical action hypothesis. Compared to the Baltic States, the Nordic view on the environmental policy and sustainability was much more ambitious. However, these disparities could be overcome by
framing common long-term visions for the macro-region (interview 11.06. 2010, Stockholm). The high normative commitments in terms of increasing environmental and safety standards could “cut the edges” of the new member states’ positions by counteracting narrow national economic interests. This consequently increased the credibility of the whole strategy (and definitely the credibility of the coalition), since the highly ambitious objectives of the strategy fostered the normative aspects of the adopted actions. The arguments of the NB6+2 rhetorically constrained the attitude of the opponents.

The success of the NB6+2 was established by issuing a Joint declaration that was internally drafted by the members of the group prior to the Ministerial Conference on the Baltic Sea strategy on 18 September 2009 (Joint Declaration, 2009). The text of the declaration contained main elements of the macro-regional approach, the governance structure, finances, the external dimension, and the implementation. In general, the Ministerial Conference on the Baltic Sea strategy was a tactical element in the negotiation process, planned by the Swedish presidency, since on the political level member states seldom express their objections with the same intensity compared to the working level. Indeed, after the conference most of the participants generally expressed support for the initiative. Accordingly, the Ministerial meeting in Stockholm served as a milestone for further negotiations in the Council. The Baltic Sea strategy was supported by all delegations in GAERC without major discussions and adopted by the October European Council, containing elements that was close to the ideal point of the members of the territorial coalition.

Conclusions
The aim of this paper was to explore the effects of institutionalised coalitions on the member states’ bargaining power in Council negotiations. In creating a theory on the causal mechanisms of institutionalised inter-state cooperation in coordinating positions and exchanging views prior to formal decision-making, this paper sheds light on a largely unexplored field in EU bargaining literature, namely the effects and limitations of the territorial and like-minded member states’ cooperation frameworks in EU decision-making. The study has attributed significance to the pre-negotiation phase in contrast to the common tradition in coalition research of approaching the end-game.

The substantial focus in the theoretical model was put on the degree of institutionalisation of inter-state cooperation. Since the institutions provide specific rules and structures, they can address shortcomings in the negotiation environment that the individual states have difficulties solving on their own. By establishing institutionalised cooperation, member states create coordination formats with particular structures and cooperation procedures in order to improve their bargaining advantage through mutual exchange. A common trait of all institutionalised coalitions is the institutional conditions that facilitate mutual exchange and a forum for framing common arguments for justifying positions. Compared to ad hoc coalitions, institutionalised coalitions depend on structural, more frequent, durable and coherent interaction features that largely stem from pre-existing regional cooperation frameworks and can be formalised by a mutual agreement or even an in-group treaty. The study has provided some insights into the structure and functioning of the Nordic-Baltic group (NB6), which stems from the traditional regional cooperation framework and is adjusted to the coordination of EU policies by establishing a ‘breakfast meetings’ in the run-ups of the Council meetings in Brussels or capital-to-capital interaction on the expert and political level.

Drawing on rational choice institutionalism, the paper has argued that the institutional setting provides actors with additional power resources beyond their voting power. The argument was empirically tested drawing on the of the Nordic-Baltic territorial institutionalised cooperation. With variation on the degree of institutionalisation and the
convergence of preferences, the three selected dossiers – the Stockholm Programme, EU climate negotiations, and the Baltic Sea strategy demonstrate effects of high bargaining power in particularly when preferences of the NB6 members converge. Taking advantage of the existing regional structural framework, and additionally supporting it with a network of contact points, in the negotiations of the Baltic Sea strategy the territorial institutionalised coalition has framed a pre-agreement that granted considerable bargaining advantage to coalition members before the issue was discussed among the EU-27. Acting as a group (and perceived as a group), the NB6+2 have moved the negotiation’s outcome as close as possible to their ideal point by exchanging information and by framing normative justifications for their positions that the external actors find difficult to reject.

Arguably one of the most interesting and essential questions in studying the territorial institutionalised coalitions, such as Nordic-Baltic cooperation, is related to the preferences. This study treats preferences as important background variables. High degree of institutionalisation alone (as demonstrated in the Stockholm Programme negotiations) is not sufficient condition for yielding bargaining power if not supported by converging preferences of the group members.

By explaining mechanisms and causalities of territorial institutionalised cooperation, and by revealing also limitations, the main implication of this research is that it casts light on informal intergovernmental cooperation among the regional partners in pre-negotiation phase to Council negotiations that by now have been largely underexplored. The paper contributes to the existing research on coalition building by application of rational choice theoretical instruments in explaining persistent coalitions in the Council that, by now, have been treated mainly with sociological constructivism’s theoretical tools.

References


