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Changing Party Political Constellations and Public Policy Reform in Southern Europe

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Is there a 'Southern Bloc' in the EU Economic Governance Negotiations?

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Abstract

The Southern EU members (Greece, Spain and Portugal) have been long considered to share common views vis-à-vis the EU economic governance regime, forming a distinctive group in EU intergovernmental negotiations on related issues. In this paper, we argue that changing party political constellations and domestic public policy reform in Southern Europe challenge this posture and call for a more qualified treatment of macro-perspectives of intra-EU alliances. EU coalitions are construed on the basis of converging interests and therefore subject to issue-specificity and conjunctures of political-ideological and socio-economic nature. We illustrate this point by looking at the stance of the 'Southern bloc' on major EU economic and financial negotiations, culminating with the four multi-annual financial frameworks (1988, 1992, 1999, and 2005). Despite opposite accounts that claim a solid bloc is in place, we conclude that the cohesion of the 'Southern alliance' has been repeatedly tested and relations have oscillated from competition to coalition to divergence in different stages of their common EU trajectory during the last 25 years. We account for this oscillation by looking at three levels of analysis: (a) cross-governmental affinity of a partisan nature at the level of domestic politics (b) cross-national socioeconomic convergence at the level of domestic socioeconomic structures, and (c) intergovernmental power constellation at the level of EU politics.

Introduction

Ever since the accession of Greece, Spain and Portugal in the 1980s, there have been claims for the emergence of a solid and coherent ‘Southern’ or ‘Mediterranean bloc’, occasionally and selectively broadened to encompass France and/or Italy. Macro-analyses of coalition-building in intra-EU negotiations based on Council voting records have provided support to such claims, arguing that a distinct ‘North-South’ cleavage exists (Kaeding and Selck 2005, Mattila 2004, Mattila and Lane 2001, Hosli 1996, etc.). Relatively consistent and durable coalition patterns seem to emerge based on policy interests and/or cultural affinity (Elgström et al. 2001). Furthermore, these coalitions extend beyond issues of redistribution or budget allocation to the desired pace and extent of economic liberalization and (de-) regulation (Thomson et al. 2004). Such accounts contradict earlier references on the fluidity and weakness of coalition structures (Nugent 1999: 474) as well as their complexity and unpredictability (Peters and Wright 2001).

We do not posit that such analyses do not provide useful insights of EU policy- and decision-making, although their drawing on voting positions following protracted intra-Council negotiations may conflate particular patterns (Hayes-Renshaw and Wallace 1997: 244-74). Rather we uphold the basic premise that one’s view depends on where one stands and what one looks at. At the Council level and on day-to-day EU business such patterns may indeed exist on the basis of power, interests, ideology, and/or culture (Kaeding and Selck 2005: 273-6). However, we are more interested in the ‘history-making’ intergovernmental negotiations and the ‘Southern’ coalition building in them, questioning whether such clear cut patterns exist. More specifically, our focus lays on major EU negotiations of economic nature, in particular the four multi-annual financial frameworks (i.e. 1988, 1992, 1999, and 2005). Negotiations of economic nature should provide the clearest indication of any such consistent alliance pattern given the near-consensus in the literature of the importance of redistribution and budget appropriations for the solidification of the Southern axis. Furthermore, budget negotiations have been always linked with EU constitutional and institutional change (Laffan 2000), which allows the simultaneous consideration of other ‘nested’ negotiations with a potentially substantial input in the coalition formation process.

Narrowing down the focus on these negotiations, we argue that the picture is more nuanced, with coalitions being construed on the basis of converging interests and therefore subject to issue-specificity and conjunctures of political-ideological and socio-economic nature. In these negotiations, the cohesion of the ‘Mediterranean alliance’ has been repeatedly tested and relations have oscillated from competition to coalition to divergence in the three different stages of their common EU trajectory during the last 25 years. In the last section of the paper, we account for this oscillation based on our empirical findings, identifying three main parameters associated with three distinct levels of analysis: (a) cross-governmental affinity of a partisan nature at the level of domestic politics, (b) cross-national socioeconomic convergence at the level of domestic socioeconomic structures, and (c) intergovernmental power constellation at the level of EU politics.

Coalition Building in intra-EU Multilateral Negotiations

Coalitions constitute deliberately constructed networks of actors, who may have in general different interests, values, and policy priorities, yet sharing at a particular time juncture for a shorter or longer period limited or broader common objectives (Dupont 1996). They entail the pooling of power or resources of the coalition constituent parties in the objective of pursuing a desired outcome. Coalition building highlights the commonality of interests among negotiating parties in multilateral negotiations and reduces the complexity of multilateral bargaining transactions. In that respect, coalition building constitutes a significant feature of negotiation dynamics, contributing to overall effectiveness and efficiency. However, although coalition building may facilitate particular aspects of the bargaining process by reducing the number of actors, it generates other points of concern, adding an additional intra-coalition negotiation layer (Jönsson 2002: 222). The articulation of the common coalition position may be a strenuous process, which often results in intransigent negotiation positions and deadlock between rival coalitions. Thus, the intra-coalition position-formation process becomes one of the principal analytical components of multilateral negotiations, comprising three stages of coalition building, -bridging, and -breaking (Hampson with Hart 1995: 20).

Very much like in all other group formations, coalition members differ in their status and role within the coalition (Zartman 1994: 5). Their position in a coalition depends on structural features of the coalition and of their own. The former comprises the nature and scope of the coalition (i.e. issue-specific, *ad hoc* coalition or more general alliance), its solidity and longevity (that may have even resulted in some form of coalition institutionalization or negotiation embeddedness), its size and constituency (i.e. how many and which other members participate in it), and its *modus operandi* (i.e. position-formation and internal decision-making process). The latter refers to the member's structural or behavioral power (Habeeb 1988), the contribution to the shared pool of power and resources, and their leadership or entrepreneurship capacity to influence the coalitions' positions

(Hermann 1995, Underdal 1994). Structural power is determined by available alternatives outside the coalition, the extent to which a coalition member can unilaterally achieve its preferred outcome, and the criticality of the member's resources contribution to the pursuit of the coalition's objectives. Long identification with and consistent allegiance to the group also increase the structural power of a coalition member, rendering it a more influential and authoritative voice in it. Behavioral power reflects the member's tactics in a multilateral negotiation context (but not necessarily only within the coalition) to alter the existing bargaining *status quo*, adding a dynamic element to the power calculus (Jönsson 2002: 220).

Two additional features of multilateral negotiations –of high relevance to the EU- also affect coalition-building patterns. First, institutional embeddedness of negotiations in some form of international regime provides a sense of bargaining continuity, nurturing reiterated negotiating interaction (Fearon 1998). In multi-dimensional negotiation spaces, where states are involved in a multitude of –simultaneously ongoing and closely interlinked- negotiating games, both at the international and domestic level (Tsebelis 1990, Putnam 1988), the element of negotiation continuity may have a two-edged effect on coalition building. On the one hand, it may solidify coalitions, if interest perceptions of the constituent members of the coalition remain unchanged; on the other hand, it may lead to different group constellations more in line with the shifting negotiation agenda or the conditions surrounding it. Furthermore, in an institutionalised framework reputational assets are also taken into consideration. Hence, sub-optimality in negotiating positions and coalition formation can be explained with reference to strategic considerations (in relation to another ongoing 'game') and credibility concerns that emanate from the need to embrace (even rhetorically) specific objectives. Once these reasons subside, participation in a coalition may no longer be the optimal option for a state, leading to coalition desertion and possible realignment. Finally, in conditions of institutional embeddedness and bargaining continuity, negotiation outcomes may be inconclusive and/or subject to revision in future rounds. Such prospects cement existing coalitions to safeguard a favourable bargain; in contrast, a clash over the distribution of the negotiation spoils may break up a coalition and initiate new alignment patterns.

Second, negotiations consist normally of a series of phases, comprising a pre-negotiation stage where participants agree on the negotiation agenda (Saunders 1985), the formal negotiation stage, where the actual negotiations take place, and the post-negotiation stage where either the details of the agreement are finalised or the agreement is implemented (Gulliver 1979; Zartman and Berman 1982). The preparatory nature of the pre-negotiation stage often leads to a common understanding or an agreement framework, within which the detailed and formal agreement will be sought afterwards (Zartman 1978: 67-86). This underlying agreement can be reflected in the content of the negotiation agenda, the clarification of which delimits the boundaries of the potential agreement. In an adversary relationship, in particular, a proposed agenda is more often than not prejudicial rather than neutral; thence the agreement on it consequently outlines the content of the final agreement (Berridge 2005: 33). Position changes and coalition realignment between the various negotiation phases may be noticed due to various domestic and international developments (i.e. change of government, different power constellation in the coalition, etc.) especially if there is a substantial temporal gap in between stages.

These coalition-building features are particularly relevant to the EU budget negotiations. EU budget talks *par excellence* bring out national interests, considering the horse-trading at the European Council level (1988 in Brussels, 1992 in Edinburgh, 1999 in Berlin, and 2005 in Brussels). However, there is more than that in budget negotiations: being embedded in the EU 'negotiated order', they revolve around 'history-making' EU political and economic deals (i.e. Treaties, Single Market, EMU, enlargement) and entail ironing out details of meso-level policies (mainly CAP and Structural Funds). Therefore, they follow – and are constrained from- either broader negotiations on the course of European integration and/or agreements reached at lower and more technical level (Laffan 2000: 726-8). In that respect, national positions and coalition building may reflect tactical or strategic considerations of member-states. In addition to that, budget negotiations involve EU institutions either at the agenda-shaping (especially the Commission) or the post-agreement stage (the EP and the Commission), which provides further opportunities for coalition-building to affect the final outcome.

EU Budget Negotiations and the Mediterranean Bloc

An Overview of the EU Budget

The budget of any organization offers important insights on the scope and workings of that organization. The EU budget reflects the 'deepening' and 'widening' of the European integration process; at the same time it reveals the delicate balance among member-states and between member-states and the EU institutions (Laffan 1997). Such relationship is dynamic in nature and subject to constant negotiations (Shackleton 1989: 129). Still, due to the dysfunctional system of EU policy-making, the EU finds it difficult to break away from past budgetary commitments once particular activities or side-payments have been hooked on the budget. Thus, the incremental evolution of EU public finance has a strong *status quo* bias

(Laffan 2006: 454). This constitutive element of budgetary 'path dependence' necessitates the understanding of the particular, political and economic, negotiating contours in which agreements are reached.

The EU budget has evolved in four stages (Laffan and Shackleton 2000). The first two stages (1958-88) set the framework for the development of EU finances. The first stage was characterized by the search for a constitutional framework for the development of EU finances and an agreement on an independent budgetary resource. The 1970 and 1975 Budget Treaties concluded this search in the form of the establishment of an 'own resources' system and involved the European Parliament in the process. However, the 1973 enlargement introduced new elements in the earlier budgetary bargain and upset the delicate balance of earlier agreement. The second stage of EU budget development was a period of continuing conflict up to 1984 over the size and distribution of EU monies as well as inter-institutional battles between the Council and the EP (Wallace 1983). The 1984 Fontainebleau agreement with the achieved agreement on the 'British rebate' eased up the tension but did not provide a long-term budgetary regime to absorb the turbulence of the Iberian enlargement (1986) and the resurgence of the integration process in the form of the Single European Act (1987) (Laffan 2000: 729). The next two phases comprise the four major budgetary bargains and share common elements of relative calmness after the conclusion of the agreements as well as close inter-institutional cooperation. However, two different evolutionary trends differentiate the third from the fourth stage. Whereas the first two multi-annual agreements (*Delors I* and *II)* featured an impressive increase of the budget size, a new budgetary paradigm emerges from the third one onwards (*Agenda 2000*, 1999) that endorses stabilization and incremental re-orientation (Laffan and Lindner 2005: 197-202).

Setting aside inter-institutional confrontation over budgetary control, the main axis of dispute remains the distributional consequences of the common budget (Laffan 2006: 455). The redistributive effects of the EU budget at territorial and sectoral level emanate from both its expenditure and revenue sides. The growth of structural policies with their focus on poorer regions has rendered EU expenditure increasingly more progressive since the early 1990s. The farm subsidy orientation of CAP reform has also a redistributive effect but only due to the considerably higher employment levels in agriculture in poorer member-states. As regards the revenue side of the budget, member contributions are roughly proportional to income and therefore redistributive in the sense of higher payments per capita in absolute terms (de la Fuente and Doménech 2001: 314-5). However, focusing exclusively on budgetary flows and net national balances provides a distorted picture of economic 'winners' and 'losers' from

European integration. Still, the EU budget is largely scrutinized and assessed under the lens of national fiscal interest and the net-contributor/beneficiary logic. Two developments in the 1980s reinforced this trend: the introduction of a fourth budget source related to member-states' GNI and the collapse of the principle of 'horizontal equity', whereby each member contributed according to the same rules, following the Fontainebleau agreement (Shackleton 1989: 130).

From Rivalry to Affinity: the Two 'Delors Packages' (1988 and 1992)

The formative years of the 'Mediterranean bloc' were rather turbulent with pre-history pointing to an adversarial relationship between Greece and the Iberian two in two respects. First, during accession negotiations, the Greek government successfully tried to disentangle the Greek candidacy from the Spanish and Portuguese ones, rightly considering that the bigger size of the Iberian countries would pose more considerable problems and would delay accession (Tsoukalis 1981). Second, once inside the EC, the Greek government sought to use instrumentally accession negotiations with the Iberian countries to its own benefit. The Greek accession in 1981 coincided with a government change, with the Socialists (PASOK) coming into office on an anti-EC political platform. In 1982, a special Greek memorandum requested a re-negotiation of some accession conditions, with particular emphasis on regional aid. The Iberian enlargement would further deteriorate the peripheral position of the Greek economy given their similar economic structures and agricultural production base. This reasoning lay to some extent behind many of the tough negotiations surrounding the derogations and the special budgetary provisions for Portugal and Spain (Featherstone 1989: 192).[1] The Greek reservations found their way to the introduction of the Integrated Mediterranean Programs (IMPs) as a tool aiming to strengthen poor regions against the challenges of adjustment in the expanding common market (Ioakimidis 1996: 15). However, the launch of IMPs came only after the Greek threat to block the Iberian enlargement in the Dublin European Council in December 1984 (Ioakimidis 1993: 225). In general, the first PASOK government (1981-85) viewed the EC primarily in economic terms and in its attempt to maximize economic benefits came in direct conflict with current and aspirant member-states with similar objectives (Mitsos 2000).

[1] Greece was not alone in stressing the negative economic implications of the Iberian enlargement. Italy and France, with similar agricultural production base, were also highly concerned with this issue and carried the flag in EC-Spain/Portugal accession negotiations (Closa and Heywood 2004: 19-25, Tsakaloyannis 1997:143).

The first indication of an emerging Southern coalition came during the pre-negotiation stage of the first major budgetary bargain in 1988 (*Delors I*). The signing of the Single European Act (SEA) had a financial and budgetary underpinning, which created an opportunity structure for an assertive Commission to link the budget with the primary goal of completing the internal market (Laffan 2000: 730). Such underpinning relied heavily on the emerging consensus over solidarity discourse, formalized by the inclusion of an explicit reference in the SEA on the EC need to pursue 'economic and social cohesion'. Reasonably, the Greek Socialist Premier Papandreou took credit of such development (*Financial Times*, 1 July 1988), to which the Spanish Socialists in government (PSOE) also fully adhered.[2] Even the Portuguese Centre-Right coalition of Cavaco-Silva pressed similar claims, despite ideological divergence (Featherstone 1989: 197-8). The post-negotiation stage also highlights the common Southern approach to European integration. By virtue of alphabetical order, the Socialist Greek, Spanish (and French government) held successively the rotating Presidency, putting forward the social dimension of the internal market.

The cohesion of the Southern bloc at this stage relied heavily on ideological affinity and commonalities of interests that derived from their peripheral, economic and territorial position. However, such cohesion was limited in scope, concentrated on distribution of resources and social policies. In other relevant fields of monetary integration and financial stability they held opposing views. For example, the Greek government supported the Commission proposals on the controversial status of the European Central Bank, whereas their Spanish and Portuguese counterparts reserved their position (Featherstone 1989: 198). Furthermore, on political issues, which came to the ascendance as the complementary second pillar of economic integration in the late 1980s, the threshold of consensus also lagged behind (Tsakaloyannis 1997: 145). Finally, Spain's first priority following accession was to develop the image of a constructive and responsible partner, not associated with the Greek confrontational and problematic attitude (Pagoulatos 2004). In that respect and also due to its size that distinguishes it from the other Mediterranean partners, Spain pursued a more assertive political role in close link with the Franco-German axis. This differentiation in their political agendas led to different alliances in the two parallel Intergovernmental Conferences on Political and Economic Union that led to the Maastricht Treaty (Powell 2003: 151).

[2] The 1986 PSOE's four-year program emphasized the need to organize the internal market in view of promoting economic cohesion and seek a re-equilibrium of the EC by means of reform of the measures that would aim to the development of the southern regions and peripheries. French and Italian sister parties also backed the Greek-led campaign to institutionalize the cohesion principle (Featherstone 1988).

'Economic and social cohesion' continued to provide the underlying coalition glue during the budgetary negotiations that culminated in the Edinburgh European Council agreement in 1992. The principle had been recognized as one of the EU's essential objectives (Article B of the TEU) and listed as one of the most important tasks of the European Community (Articles 2 and 3 of the Treaty establishing the European Community). However, internal coalition dynamics changed and growing competition emerged in each country's attempt to maximize its share from the expected allocated funds. In a preemptive strike, the Portuguese government submitted a regional development plan before the exact amount of funding available to each individual country was even known (Magone 2001: 127). Whereas Greece had orchestrated common stance in the previous negotiation round, the Spanish political ascendancy as well as domestic economic considerations turned Spain the more ardent *demandeur* seeking to maximize its benefits from the Structural Funds. The determination of the Spanish government to remain within the European Monetary System and meet the Maastricht criteria in spite of ongoing recession in the Spanish economy and soaring unemployment meant no other choice than fighting hard to secure a good deal with the other two coalition members largely band-wagoning Spanish intransigence (Powell 2003: 155).[3] Spain repeatedly underlined its determination by threatening to veto the Danish special treatment on TEU (Laffan 2000: 736) and making at a subsequent stage the launch of enlargement negotiations with EFTA applicant countries conditional on the solution of all outstanding budgetary issues (Closa and Heywood 2004: 190). As a result, Spain took the lion's share out of the Edinburgh agreement, assisted by a more conducive negotiating environment after the TEU ratification crisis in Denmark and France had rendered any further upheaval unacceptable.

Down the Path of Divergence: the 1999 and 2005 Financial Frameworks

Despite appearing coalition cohesion, cracks could be seen regarding the allocation of cohesion and structural funds and the priorities set out during the negotiations. These cracks became more apparent in the course of the 1990s due to different enlargement priorities and diverging EMU trajectories. The Berlin 1999 agreement set the budgetary framework for the EU enlargement, in an environment of growing fatigue by net contributors (by that time the Netherlands, Austria and Sweden had joined Germany in the club) and under the EMU strict

[3] In the words of the Spanish Foreign Affairs Minister a few days before the Edinburgh European Council, "…better no agreement in Edinburgh than a bad one. There are plenty of other cities and lots of other dates" (Financial Times, 8 December 1992).

requirements for fiscal discipline. The core negotiating position of the cohesion countries was that enjoying few economic benefits from enlargement, they should not be further penalized by a shift of funds from the South to the East. Spain carried the flag seeking to preserve the existing financial *status quo* despite having met the criteria for EMU accession, which was after all what the cohesion funds had been mainly allocated for in the first place. The Spanish government adopted a maximalist position, consistently rejecting each successive budgetary proposal on the road to Berlin (Barbé 1999: 141). Having repeatedly criticized former Prime Minister González for the way he had handled the 1992 negotiations, the Centre-Right Prime Minister Aznar was under considerable pressure to outdo his predecessor (Powell 2003: 162).

Greece and Portugal supported the Spanish positions, although in a subtler way than in the past (Laffan 2000: 739). Greece, in particular, was in the most disadvantaged position not being able to join the Euro-club despite strenuous efforts and having in mind that some political discretion would be required in the near future to achieve the EMU objectives. Although this problem legitimized the Greek claim for a continuation of the financial support, it also meant a differentiation in the line of the Southern argumentation. Furthermore, the Greek government could not credibly argue about the minimal enlargement benefit, given the strong interest in Cyprus candidacy and the Balkan dimension of the EU enlargement policy. Therefore, due to other political priorities and considerations, Greece stood mostly at the second row during the Berlin negotiations, crossing fingers that the Spanish hard stance would yet another time bear fruits for the whole group.[4] In the early hours of the Berlin negotiating marathon, an expensive, last-minute agricultural subsidy finally convinced the Spaniards and the Portuguese to embrace the financial compromise (Afhueppe et al. 2005). The partial accommodation of cohesion countries concerns went along a distributive change within the coalition: instead of the 55% of the total cohesion fund that Spain had received between 1993-9, the new framework allocated Spain about 62% (Closa and Heywood 2004: 200).

However, the Berlin agreement made clear for Spain that the negotiations for the 2007-13 financial perspectives could not be modeled along the Edinburgh or Berlin negotiations. For this reason, Spain was anxious to prevent the adoption of qualified majority voting as a general rule in the 2000 Nice Intergovernmental Conference, essentially so as to retain veto powers over the cohesion and structural funds. These efforts were met with success in that Spain managed to retain its ability to veto decisions on these funds also in the

[4] Interview, Greek Ministry of Foreign Affairs; member of the Greek negotiation team in Berlin.

2007-13 financial framework negotiations, which was hailed domestically as a major political triumph (Powell 2003: 164). However, the changing economic status of the country suggested that Spain would be under severe pressure to consent to changes in the budgetary *acquis* at least as far as the cohesion funds were concerned. In all forecasts and submitted proposals in the run up to the 2005 negotiations, the balance of financial transfers between the EU and Spain were predicted close to budgetary neutrality (Salmon 2005). Thus, the Spanish government sought for a smooth transition and adequate phasing out devices. Anticipating that they would at some point in the near future come to the same situation, Portugal and Greece shared these concerns but not with the same intensity (Torreblanca 2005: 19-20). Having for various reasons a different EMU trajectory in the previous five years, the two countries still counted on EU financial assistance to redress structural imbalances and meet the constraints of the Stability and Growth Pact.[5] Therefore, only Spain faced the immediate challenge of substantial financial losses, forcing the government to 'dig in' (Missiroli 2005).

In the run up to the 2005 budgetary negotiations, the Southern coalition worked together, leading the 'friends of cohesion' group, which included besides the Mediterranean countries all new member states plus Ireland and Belgium (Mrak and Rant 2007). However, driven by necessity, Spain also bowled alone, either unilaterally or in accordance with new 'friends'. The Spanish intentions came to the foreground already during the pre-negotiation stage in May 2001 when the EU-15 negotiated a seven-year transition period before the free movement of labor would apply to citizens from the new EU members. Taking advantage of the political vulnerability of the German government on the issue, Spain threatened to block an agreement unless its current share of the Structural and Cohesion funds was guaranteed in the forthcoming budgetary negotiations. Spain moved alone on this issue after Greece and Portugal had backed down accepting a compromise solution (Vachudova 2001). Furthermore, Spain was the only country of the Southern coalition to reject the compromise proposals of the Luxembourg Presidency in June 2005 (together with Finland, the Netherlands, Sweden and the UK), even after the Presidency had offered an additional two-years entitlement of structural funds to Spain (Dür and González 2007). Further distancing from the Southern coalition, Spain sided along with Poland, an alliance forged during the Nice Treaty negotiations over the two countries' institutional status.[6]

[5] Such divergence was reflected in the opposing positions held in the 2005 SGP Reform debate, where Spain embraced fiscal orthodoxy whereas Greece and Portugal sought for more flexibility (Blavoukos and Pagoulatos 2008a).

[6] 'German Government Offers More Money for Poland' (*Polish News Bulletin*, 12.02.04). The alliance broke down when Spain insisted on eliminating from a Council's declaration a provision giving assistance priority to

The Rise and Fall of the 'Southern Bloc'

Is there or has there been a distinct 'Southern bloc' in the EU budgetary negotiations? The overview of the negotiations suggests an *ad hoc* partnership based on a commonality of interests but lacking an overall strategy or coordination.[7] A deep trenched cooperation like the 'Nordic dimension' put forward as a permanent agenda item by the Nordic countries does not exist among the Southern European countries (Bindi and Cisci 2005: 158-9). The countries allegedly constituting the 'bloc' have shared the common objective of an increased budget with emphasis on regional redistribution but each country has pushed forward own policy priorities in pursuit of own interests. Such were the cases, for example, in the Spanish pursuit of adequate phasing out schemes in the last two negotiation rounds and the Greek initiative for a targeted island dimension in the EU regional policy to ensure the continuation of an adequate level of funding for the Greek archipelago. Actually, once the overall negotiation objectives were met, internal frictions over the spoils erupted.[8]

Ad hoc partnerships are not sustainable in the long run and follow the ebb and flow of shifting preferences and conjunctural political developments. The oscillation in the coherence and solidity of the Southern bloc can be attributed to changes at three levels: domestic politics, domestic socioeconomic structures, and EU politics. The first level refers to the cross-governmental affinity of a partisan nature, with partisan and ideological affinity bringing the Mediterranean EU members closer together. The ascendancy of Socialist Parties in all three countries and France in the early 1980s created a conducive political environment for joint activities, resulting to the introduction of new principles and policies in the Community agenda. Political and ideological proximity were particularly invoked by the Spanish Prime Minister Felipé Gonzales (1982-96) to gain support for the Spanish EC accession as well as during the first years of Spanish membership to maximize positive responsiveness to Spanish claims (Bindi and Cisci 2005: 144). Thus, economic and social cohesion became the common objective of all Southern members. Such drive did not derive solely from the peripheral economic and political status of the countries that feared marginalization from the process of rapid Community transformation. The uploading of the cohesion principle in the SEA owed much to the party ideological affinity of the Socialist

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new member states to reach the EU average in terms of economic development ('Poland Forms Alliance to Fight for Better EU Budget', *Polish News Bulletin,* 09.12.04).

[7] Interview C.

[8] Interview C.

governments and could partly shed off criticism over their earlier switch from Keynesianism to free market principles.

At the level of socioeconomic structures, we need to look for the different cross-national trajectories of socioeconomic convergence with the other EU member-states. After all, the allocated funds from the EU budget were meant to redress structural deficiencies in the production function of the Southern member-states with the objective of socioeconomic convergence, encapsulated by and large in the objective of EMU membership. However, the Southern members have exhibited quite diverging trajectories, not least because external inducements and constraints are mediated by forces within the national institutional setting, where the *modus operandi* of the political system determines the degree and modality of their internalisation and implementation. Thus, the diverging trajectories of the members of the 'Southern bloc' can be attributed to at least three reasons: (a) different socio-political context –especially the degree of social concertation- in each country within which convergence was pursued, (b) different initial economic conditions, not so much in terms of growth but more significantly in terms of structural unemployment that affected both directly and indirectly the convergence process, and (c) reform capability, in particular varying government effectiveness and capacity to translate external (and internal) pressure into tangible reform outcomes (Blavoukos and Pagoulatos 2008b). These parameters conditioned the adjustment process of the three countries and also underlie their performance in the post-EMU accession stage, with Spain broadly considered to be more of a success story than the other two countries. As a result, the Spanish objectives, especially in the 2005 negotiations, differed from the other two countries, undermining the solidity of the partnership.

At the third level of EU politics, the crucial factor for the oscillation in the Southern bloc is the intergovernmental power constellation in the EU, which affects not only the clustering and alliance patterns of member-states but also their role and engagement within a given partnership. Spain has vied consistently for membership in the political 'hard core' of European integration, an aspiration undermined in the early years of EU membership by the comparatively low level of economic development and its status as a cohesion country (Powell 2003: 165). Thus, when in the 1990s socioeconomic convergence was under way, Spain reprioritized its interests, shifting emphasis to the reinforcement of institutional and political representation in the enlarged EU (Basabe Lloréns 2006: 278-9). The evolution of the Spanish status has resulted in the disassociation from traditional allies, the lack of clear and permanent alliances, and the simultaneous participation in different negotiation fora within the EU system (Basabe Lloréns 2000: 116-7). Within the partnership, role assignment also depends on the broader intergovernmental power constellation. The Greek leadership in the formative stage of the Southern bloc owed much to the greater familiarization with the Community institutional and political structures due to earlier EC accession. This role was incrementally taken over by Spain, which could capitalize on a much greater political capital that derived from size, relative institutional weight, affinity to the Franco-German axis, and the successful socioeconomic adjustment of the 1990s. As a result of limited political capital and changing intra-partnership balance, Greece and Portugal have often taken the back seat in budgetary negotiations, band-wagoning in several occasions the Spanish intransigence.

Conclusions

Coalition building constitutes an exercise in pooling resources and maximizing benefits out of protracted multilateral negotiations. Coalitions are objective-driven and formulated on the basis of perceptions of common positions, be they rooted on interest commonalities or ideological and cultural affinity. There is nothing sacred in coalition building; negotiating parties join in and desert a coalition according to their own perceptions and calculus that are subject to change. However, *ceteris paribus* no such change occurs, the time horizon and scope of action are also crucial for our perceptions and understanding of the coalition's longevity. Despite short-term disturbances in some trends of clustering, long-term, macro-perspectives of coalitions will tend to reveal stronger patterns by setting aside micro-nuances of tactical nature, political opportunism, etc. Furthermore, narrow-focused coalitions will tend to have a longer life provided that the stakes at issue in question do not change; narrowness of focus engenders consistency and clarity of positions of the coalition members. Coalitions with a broader range suffer from spillover effects among interlocking negotiations and strategic considerations of coalition members, and are therefore more easily subject to realignment.

Our analysis of the 'Southern bloc' in EU budgetary negotiations illustrates these points. Whereas the macro-perspective points towards a well-established coalition forged around financial interests, micro-analysis of particular negotiation rounds provides a more nuanced picture, highlighting elements of individualistic approach to negotiations, internal discontent, free-riding and band-wagoning. This picture becomes more blurred if broader negotiation games are brought in the discussion. Disentangling budgetary negotiations from the TEU negotiations in 1992 or from enlargement negotiations in 1999 and 2005 would most probably provide a misleading account of the Southern coalition. At micro-level, the relationship between Spain, Greece and Portugal has oscillated from competition in the preaccession and early years of membership to homogeneity of negotiation positions in the *Delors I* and *II* negotiations to gradual divergence in the Berlin and Brussels negotiations. Accounting for this oscillation, we need to look at the levels of domestic politics, domestic socioeconomic structures, and EU politics, pointing out three important underlying parameters that condition the alignment pattern of the Southern EU members: cross-governmental affinity of a partisan nature, cross-national socioeconomic convergence, and intergovernmental power constellation.

Each parameter sheds light on a different phase of the Southern coalition. Domestic politics and ideological affinity feature strongly in the early post-accession period of the three countries, alongside the rise in power and consolidation of socialist governments in Southern Europe. The prevalence of the ‘socialisme du Midi’ as a unifying factor illustrates the primacy of politics and ideology in the first years of participation in the European integration process. In the second phase, the coalition revolves around policy rather than politics. Socioeconomic adjustment and convergence, especially in relation to the EMU venture, keeps the group together in order to maximize collective benefits through structural and cohesion funds. The main feature of the third stage is the gradual erosion and break down of the coalition in the absence of a unifying thread. In the post-enlargement political environment of the EU, socioeconomic adjustment has been nominally or substantially achieved for the three countries as illustrated by EMU membership. In this stage, the coalition members adopt a more opportunistic negotiation stance in pursuit of own political objectives and aspirations, lowering the common coalition denominator. As a result, the coalition-building patterns change, with coalitions formed on a more *ad hoc* basis, characterized by openness and porosity. Such fluidity comes in manifest contrast with the ideology-based and convergence-induced coalition stability of the first two stages of the Southern coalition.

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