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EU Cohesion Policy and Comparative Political Economy. The cases of Greece and Ireland.

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The European Union (EU) Regional Policy – or Cohesion Policy as it is lately established[1]- is the second most important policy area of the Community in budgetary terms. It is the Policy that is implemented through the Structural and the Cohesion Funds and its main target is the harmonisation of the development of the European territory and the alleviation of regional imbalances between and inside the different member states.

In financial terms, there has been a continuous increase in the funds that the EU has devoted in its Cohesion Policy. In particular, the funds targeted at accomplishing greater economic and social cohesion and reducing the imbalances within the European Union have more than doubled since the end of the 1980's. In legal terms the target of 'reducing the disparities between the level of development of the various regions' was included in the EU Treaty (Article 158), whilst similar provisions are made at the Draft for the EU Constitution, which is at the process of ratification in the member states. In particular, five Articles (III-220 to 224) that are included in the Draft specify the rules under which the 'Economic, Social and Territorial Cohesion' of the Union will be promoted.

The areas that have mainly benefited from that type of spending are the so-called Objective One countries -Greece, Spain, Portugal, the whole of EIRE (Ireland) until 2005- which are those regions whose GDP per capita measured in purchasing power standards (PPS) is less than 75% of the EU GDP. In addition, the same countries were the beneficiaries from the Cohesion Fund, which was established in 1991 as an additional developmental instrument.

However, the consensus that was initially built around the necessity for the creation of a redistributive and developmental Policy at the Community level gradually lost its momentum. Since 1988, after the approval of the first Reform of the Structural Funds, which lead to the initiation of the first Community Support Frameworks (CSF), there have been two major reforms of the Regulations of the Structural and the Cohesion Funds, each one before the initiation of the programming periods 1994-1999 and 2000-

[1] The terms 'Regional Policy', 'Cohesion Policy' and 'Structural Policy' are used here interchangeably to describe the Community Policy that is exercised by the Structural and the Cohesion Funds. For an analysis of the different connotations that the three terms can take in the context of EU policy making see Bache, 1998, pp. 13, 14.

2006 respectively[2]. Each of the negotiations that lead to these reforms were marked by disagreements between both the Commission and the Council and the rich -the so called net contributors- and the poor –or net beneficiaries- member states. Apart from the issue of the size of the total EU Budget, hence the money that would be available for the instigation of the regional projects, which for many commentators is at the heart of that debate[3], the main argument that is used by those who oppose the EU Regional Policy is the uncertain developmental impact that it supposedly has on the recipient countries. It is widely believed[4] that the convergence that was assumed that would come as a result of the implementation of the Policy is not achieved. The reasons that are usually provided in order to substantiate these arguments have to do with the ineffective use of the funds by the recipient countries.

The remainder of this paper aims to counter that argument by examining the ways in which the regional projects were implemented in two of the four Cohesion countries, namely Greece and Ireland. It will do so by illustrating that the developmental capabilities of a country are largely predetermined by institutional and organisational factors that influence the performance of the actors involved in the policy process. The insights provided by the sub discipline that is broadly defined as Comparative Political Economy (CPE) will be utilised in that direction.

The second section of the paper analyses the main normative implications that are provided from the revisionist account of economics that is broadly defined as Comparative Political Economy. It will be divided in two parts. The first will analyse the implications of the State centred approaches in CPE. The second will discuss those approaches that place more emphasis on the organisational constraints that determine the developmental prospects of an area.

The first part of the third section of the paper will provide a short historical account of the EU Structural Policy. The next part will describe the reasons why the two countries are chosen in order to provide a comparative account of the implementation of the Regional

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[2] Currently, the Commission is at the process of finalising the Regulations that will govern the regional spending for the next programming period 2007-2013.

[3] For an account of the debates that lead to the previous adoption of the Regional Policy Regulations see Begg, 1997 and Hooghe, 1998. For a description of the events that are associated with the current negotiations for the EU Budget see Bachtler and Wishlade (2004) and Begg (2005).

[4] see Sapir Report (2003), Boldrin and Cannova (2001) , Ederveen, de Groot, Nahuis (2002), Ederveen, Gorter (2002)

Policy. A description of the major instruments that are utilised by the Commission in order to fund the regional projects in the two countries will be provided in the third part. The fourth section will conclude.

Comparative Political Economy.

For over a century economists have tried to separate the research of the economy from the study of its governance (Scapedas, 2003). Following the tradition of 19th century political economists[5] they have argued about the importance of the markets to be left to operate alone, without -or as less ass possible- government intervention. As a result, the political and societal variables that might influence the way an economy works were left unexamined and largely declared as irrelevant. This practice led to the establishment of economics as a distinct scientific enterprise with its own ontological and epistemological assumptions, the latter stemming mainly from the natural sciences carried largely unexamined to the social sciences.

Certainly, apart from the neoclassical tradition that examined the micro foundations of an economy, other classical theorists have developed coherent and strong assumptions about the interaction between the economics of a unit of analysis with their cultural and political components[6]. However, none of them managed to establish a theory inside the mainstream of the science of economics, being forced in a way to work on the fringes between different traditions in social sciences.[7]

In the last twenty years or so there has been a resurgence of interest about the impact that the aggregate results of individual human behaviour have on the area of economics. Scholars from either interdisciplinary scientific fields -such as Development Studies- or even from mainstream political science, economic history and sociology formed a revisionist approach in economics. Some of them argued about the importance of institutions in providing restrictions on the choices that individuals make (North, 1990) whilst others analysed the organisational constraints that an individual faces in her

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[5] or at least an interpretation of the theories offered by them,

[6] See, Veblen (1925), Weber (1968) among others.

[7] It must be mentioned of course that this description of 'State Denial' as Weiss puts it (1998, p. 2) reflects to a large extent the situation in the Anglo Saxon academic world since what we call heterodox explanations in economics (provided from disciplines such as economic sociology to economic history) have always been welcomed in the continental academia.

activities (Powell and DiMaggio, 1991). That literature has benefited greatly by advances in the analysis of the formation and function of institutions in political science and in particular by the literature on 'new institutionalism' (Hall and Taylor, 1996, Peters, 1999). It also borrowed from the increased interest in the way the 'social capital' that an area enjoys or lacks influences the economic activities developed there (Putnam, 1993).

However, the most important elements of that particular type of scientific enquiry come from a set of scholars that attempted to 'bring the State back in' (Evans, Rueschmeyer, Skocpol, 1985) the study of the way the economies work. It was accompanied by another group of studies that attempted to reinstate the process of economic policy making as an inherently political procedure (Hall, 1986). The next part attempts to offer a short account of the normative elements of that part of the CPE literature that at a risk of oversimplification can be described as State centred CPE.

State centred approaches in CPE.

The State has been one of the three major foundations of social organisations during the age of the Great Transformation that Polanyi (1944) describes, that is the period since 1750. Its importance in providing the essential elements that would assist the organisation of human societies was recognised even by classical theorists that today are thought to be among the main opponents of any form of state intervention such as Adam Smith. However, two major developments of the post World War period contributed to an 'anti State' bias in the study of economics. On the one hand, the behavioural revolution that influenced much of the inquiry that has taken place in both economics and politics favoured the adoption of research strategies that would involve quantifiable and measurable variables. On an ideational level, the advance of what came to be known as neo liberal ideology meant that any reference to the role that the State can play in promoting developmental outcomes was doomed to be treated suspiciously.

It was Peter Evans, together with Rueschemeyer and Skocpol who in 1985 suggested an alternative approach in studying economics by putting the State at the centre of their analysis. Their research strategy evolved in the next years and peaked with the elaboration of the concept of the 'developmental state' by Evans (1995). The approach that is suggested does not account for the necessity of state intervention in the economy. Rather, it considers the government interference in economic activity as established and examines the nature of the policies that the State as an autonomous actor can employ in order to influence economic activity. The main distinction that is made is between the 'developmental' as opposed to the 'predatory' and 'intermediate' types of intervention of the public policies that are followed. Additionally, the relationship that the State develops with the society in order to promote capital accumulation is described by the degree in which the former is 'embedded' in the latter. The concept of 'embedeness' is used in association with that of the autonomy that the state enjoys from societal interests that may distort its developmental role.

By reorienting the discussion about the role that the State can play in promoting economic development to the qualitative characteristics that the latter has, that research strategy suggests an analysis that will not be preoccupied with measuring 'how much' the state intervenes. The aim is to describe 'how' the state gets involved and what are the historical or other reasons that can explain the relationships that it has developed with its surrounding environment. Geographically, the focus has been in the explanation of the rapid economic growth that some economies of the developing world enjoyed in the last quarter of the 20th century. For example, it is utilised by Woo-Cummings (1999) in the description of the industrial affairs of East Asia but is also applied in other countries[8]

In the discussions about the State activities in the economy we should add another significant line of thought that attempted to synthesize the terms that have been used by political science in the past (see Lowi, 1964, Johnson, 1982). We refer to the elaboration of the concept of the 'regulatory state', which is mainly developed by Majone (1996) but is applied in other contexts as well.[9] It is used in order to describe the State that does not constantly interfere in the economy by providing infrastructures or by employing growth oriented strategies. The focus here is on the rule of law and a preference for judicial or quasi-judicial solutions over direct intervention. However, that concept is not fully utilised in the explanation of the way the regional spending was utilised in Greece and Ireland. It does play a part in describing some of the inconsistencies that accrued from

[8] Evans (1995) himself used it in order to describe the cases of Brazil, South Korea and India. For an elaboration of the concept in the Greek economy see Pagoulatos (2003).

[9] For an application of the concept in the EU activities see McGowan and Wallace (1996).

that intervention but we believe that the rationale in which the Structural and the Cohesion Funds were based is more 'developmental' than 'regulatory'[10].

In the contributions that propose a comparative institutional approach in the study of the economic policies of the State, one must add Peter Hall's (1986) comparative study of British and French State intervention after World War II. In that, he argues about the necessity to 'construct an institutional analysis of politics that is capable of explaining historical continuities and cross-national variations in policy'. That he adds shall 'emphasize the institutional relationships both formal and conventional that bind the components of the State together and structure its relations with society' (Hall, 1986, p.19). The emphasis here is again in the nature of the policies that the State employs in the economic process; the analysis however is much more sensitive in the institutional configurations than the one described above. Hall refers to institutions as 'formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the economy and polity'. The emphasis given in the role of the institutions in determining the outcomes of the State policies gave way to what came to be known as 'new institutionalism' in political science.

The discussion that originated with Hall's publication in 1986 continued in the next years and gave way to a broader discussion about the 'varieties of capitalism' that originate in different parts of the world -see among others Albert, (1993), Hall and Soscise (2001) and the discussion that followed in 'Comparative European Politics', 2003, vol. 1, Schmidt (2002) Jones (2003) among others-. The State continues to play an important role in these analyses. However, other factors that influence the growth prospects of an area gain prominence as well. These factors are analysed in the next part.

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[10] For a discussion of whether the EU Regional Policy can be characterised more 'developmental' than 'regulatory' or vice versa see McGowan (2002), p.12. Our belief is that since the Structural and the Cohesion Funds directly fund projects that employ the national and sub national authorities in each recipient country, the Policy can only be described as 'developmental'. Other EU interventions such as the EU Social Policy and the EMU can be regarded as 'regulatory' interventions.

Non State centred approaches in CPE.

If the focus of the previous explanations of CPE is in the configuration of institutions, the shift now turns to other variables that influence the process of capital accumulation. The main argument here is that the processes of globalisation and European integration do not necessarily produce convergence of practices and policies across countries. That postulation is in opposition to the growing literature that supposes that the nations- especially those of the developed world- are somehow exposed to the continued effects of open trade and liberalisation

Intellectually, these arguments lie in the theoretical tradition that stems from Karl Polanyi's (1957) assertion about the social embedeness of the markets. In 'The Great Transformation' Polanyi put forward the thesis that the markets are not the result of the actions of rational individuals who want to maximize their utility. Rather, they are social creations, the result of actions whose motive is largely non economic. In particular, he states (p. 46): 'The outstanding discovery of recent historical and anthropological research is that man's economy as rule is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claim, his social assets'. He then concludes that 'these interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in neither case the economic system will be run in non-economic motives'.

The argument about the social embedeness of the markets was later examined by Grannoveter (1985). It lead to a distinctive line of thought -see Nan Lin, (2001) for a review- that used the concept of 'Social Capital' in order to describe the micro foundations of a social structure. By doing that it converged with those arguments that stressed the importance of the individual choices and preferences in the creation of a market. However, it considerably diverged in that it examined these actions in their social environment.

The methodological contention about the social embedeness of the markets can be used ion order to explain the idiosyncratic- Jones (2003)- responses of European countries in the policy making process. It can be utilized in order to examine why two seemingly identical countries responded differently in a developmental programme that was initiated 'from above'.

Greece – Ireland. What role for the Cohesion Policy.

Cohesion Policy: A historical overview.

During the negotiations for the first enlargement of the EC in 1973, it became clear that two of the potential member states presented acute problems in terms of economic development when they were compared with the then existing member states. The United Kingdom and Ireland seemed to be going through a process of complicated adjustment in the changing economic conditions of the early 1970's that made them potential impediments in the enlarged Community and in particular in its road towards the long term objective of monetary unification[11]. On the other hand, it was also clear that both these countries needed an additional incentive in order to enter the Community. As a result, the first financial instrument that was similar to a form of a EU Regional Policy was agreed and the European Regional Development Fund (ERDF) was created in 1975.

When the next waves of the EC enlargement took place in 1981 and 1986 three new even poorer member states entered the Community. Greece, Spain and Portugal added only marginally to the average EU GDP since the long lasting authoritarian regimes had left them with deep problems not only in political but also in economic terms. In addition to that, the increasing drive towards the final stages of the monetary unification and the adoption of 1992 as the date in which the common market would officially be completed lead the Commission to the adoption of a more interventionist approach towards the problems of growth that the poor member states faced.

The current part provided an overview of the main developments that lead to the adoption of the EU Regional Policy. The next part will attempt to explain why a comparative analysis of the differential impact that the regional spending had in the cases of Greece and Ireland is chosen.

Why Greece and Ireland?

In 1989 the Commission decided that the abovementioned interventionist stance towards the economic imbalances of the Community should take the form of a unified and integrated approach, hence the first Community Support Frameworks (CSF). These were

[11] The first Plan of that type was the Werner Plan that was designed in 1968.

designed by the member states, financed by the Commission after it gave its approval and implemented at the national level with the Commission having the overall scrutiny of the projects. Both Greece and Ireland were designated as Objective One countries and were together with Spain and Portugal the main beneficiaries of that type of funding. The acute structural deficiencies that the two countries faced were acknowledged by the Commission, which also stressed the argument that their peripheral location in Europe would act as an additional impediment in their drive towards economic growth. Moreover, the two countries were the main beneficiaries of the Cohesion Fund that was established in 1991 in order to assist the four Cohesion Countries achieve the EMU criteria.

Despite their geographical remoteness, hence, it is obvious that Greece and Ireland shared a common starting point in the beginning of the 1990's but their position in the European economic ranking was very different at the beginning of the new century. In particular, Ireland has followed a remarkable growth during the previous decade, which is indicated not only by the GDP growth rates but also by the increase of its employment rate. Greece's development on the other hand has been moderate but not insignificant. It has managed to catch up with the rest of Europe in a number of macroeconomic indicators – as the adoption of the common currency in 2000 implies- having though inadequate performance in the unemployment and productivity rates.

The commentators that have studied the emergence of the so-called 'Celtic Tiger' acknowledge the role that the Structural and the Cohesion Funds have played in the performance of Ireland[12]. However, it is not the funding as such that is stressed in the relevant literature but the 'innovative' and 'developmental' ways in which it was employed, which created the ground that was not available before the initiation of the Community support.

Greece's performance is also related with the finances provided by the Structural Policy of the EU. Even commentators that seem to be less sympathetic than others towards the initiation of such policies agree that the funding has proved vital in assisting the county to catch up with the rich member states[13]. However, there also seems to be an agreement

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[12] see O'Hearn, 2000, O'Riain, 2000, House and McGrath, 2004, Teague, 2004 among others

[13] For a recent account of that type see Beugelsdijk and Euffinger (2005).

among the Greek policy makers that the funding has proved to be a 'lost opportunity' for the Greek economy. That view seems to be shared by the personnel at the Regional Policy Directorate General of the European Commission[14]. The latest developments in relation with the negotiations between the Greek government and the DG Regional Policy for the funding of public works that amount to around 1 million euros seem to reinforce that position[15].

Without attempting to overestimate the importance of the EU regional spending and whilst acknowledging the impact that other factors had – such as the tax incentives that were provided in MNC's, the existence of a highly educated workforce, etc- in the growth of Ireland that do not exist in the Greek case, this paper wishes to restrict its analysis in the way the regional development projects were implemented in the two countries. This decision does not derive by a conviction in the active role that the state can play in promoting economic objectives. It is rather an attempt to indicate that it is not the role of the state as such which should be disputed but the nature of that interference, hence the policies that the State as an autonomous actor can employ in order to assist the economy grow. An analysis of the differences of the strategies that each of the two States employed when implementing the regional programmes can possibly reveal the reasons behind their divergent performances.

The last part of this section will present the instruments that the Commission employed through the Structural Policy in order to assist the economies of the two countries under investigation.

Community Support Frameworks and Cohesion Fund interventions in Greece and Ireland.

The Regional Policy of the Community took the form that it has today in 1989 when the Community Support Frameworks were implemented in the poor member states. Before that, an attempt was made at combating the problem of the economic imbalances between the member states with the initiation of the Integrated Mediterranean Programmes (IMP) that were implemented between 1986 and 1992. It was the first Reform of the Structural

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[14] interview of the Director General Mr. Graham Meadows with the author, 1st of March 2005 at the Sussex European Institute, University of Sussex.

[15] see www.enet.gr, 16-5-2005 and http://tovima.dolnet.gr, 15-5-2005. . It seems that the country will lose approximately 1 million euros from the funding of the current Community Support Framework (2000-2006) because of misconducts.

Funds in 1988 however that practically introduced the Policy. In 1992, the Maastricht Treaty created an additional financial instrument that would assist the four poorer member states of that time enhance their capacity in terms of hard infrastructure (roads, etc) and the environment.

In this article we concentrate our interest on the projects that were financed by the Structural Funds -European Regional Development Fund (ERDF), European Social Fund (ESF), the guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG)- in two of the Objective One countries, namely those countries whose GDP per person was lower than 75% of the average EU GDP. The Cohesion Fund adopted a slightly different rationale in that it finances the entire eligible countries -rather than specific areas- based on whether their average GDP is bellow the 90% of the EU GDP. In practice, that analytical distinction does not influence much our discussion since both Greece and Ireland were allocated the status of the Objective One area as a whole.[16] In terms of the period that the article examines, it should be noted that due to the mostly qualitative nature of the research[17] the analysis begins in 1989 and might continue to the current programming period. Certainly, an emphasis is placed upon the Community Support Frameworks that are already completed (1989-1993 and 1994-1999).

Greece

Greece has a long lasting tradition in the implementation of Programmes of regional development. The so-called 'regional problem' of the country was identified since the early 1950's and ambitious programmes were implemented in order to assist the poor areas of the country.[18] The main problem that the country faced during the immediate post World War II period was the massive concentration of population and economic

[16] Ireland lost that status in 2000 due to the economic growth that it had followed. It was then divided in two Administrative Regions. One of them continued to be eligible for regional assistance until 2005 due to the phasing out assistance that was decided during the negotiations of the Regulations for the current programming period. The other half of the country is an Objective One area in this programming period as well. Greece continued to be eligible during the whole period of the operation of the Policy but some of its areas will probably not be eligible for the next programming period, not because they have developed accordingly but because of what is known as the 'statistical effect', namely the artificial decrease of the average EU GDP due to the 2004 enlargement.

[17] we are not interested in measuring the impact that the Policy had in the two countries, we mainly discuss processes and capacities.

[18] For an overview of the Regional Policy in Greece see Konsolas, Papadaskalopoulos, Plaskovitis, (2002).

activity in or around the area of Athens and to some extent that of Thessaloniki. Therefore, any programmes that were designed during that period followed a clear Keynesian logic of interfering in the economy in order to reorient activity outside the congested areas. The same logic underpinned the economic decisions of the post dictatorship Governments,[19] but the strong developmental imbalances inside the country were still widespread.

After the inception of the Integrated Mediterranean Programmes in 1986 the country's Regional Policy was associated with the Community financial transfers. Overall, as Konsolas et al. (2002, p. 4) point, at the date 2006, which will mark the end of the current Community Support Framework for the country, forty-five regional development programmes of total cost of 7,7 trillion Greek Drachmas (in 1999 prices) will have been designed by the Community and the Greek State.

1989-1994.

The first CSF had a largely experimental character for Greece. It was the first time that the country was involved in such a large-scale programme whilst the active involvement of the Community authorities placed significant constraints in the way the public administration operated. The total amount that the country received for that period -under the Objective 1 funding but also through Objectives 3, 4 and 5a- amounted to million ecus 13,104.[20] The support covered the following areas:

- Improvement of the basic infrastructure (transport, communications, research and technology, environment).
- Development of the agricultural sector.
- Increase in the competitiveness of the enterprises.
- Sustainable development of tourism.
- Development of human resources[21].

1994-1999.

[19] For a description and appraisal of the economic policies of the Greek governments during the whole period after World War II see Kazakos (2001). For a discussion of the same policies with a focus on the period after the dictatorship see Tsakalotos (1998).

[20] Getimis, Economou, 1996, p. 125.

[21] ibid, p.126.

The initiation of the second programming period of the CSF for Greece marked the beginning of the finances that came form the Cohesion Fund. Together, the Structural and the Cohesion Funds contributed with million ecus 32,787.[22] The Objectives that were pursued by the Regional Programmes of the Structural Funds[23] are as follows:

- Modernisation of the infrastructure.
- Optimum utilisation of human resources.
- Development of the competitiveness of the enterprises.
- Reduction of regional disparities.

The Operational Programmes are divided in the following areas:

- A reduction in the geographical marginilazation of the country and promotion of its transport integration via big infrastructure networks.
- Improvement of the quality of living
- Development of the competitiveness of the enterprises
- Development of human resources and promotion of employment
- Reduction in both regional disparities and the isolation of the islands.

2000-2006.

The latest Reform of the Regulations that govern the Structural Funds -decided in 1998- had a significant impact in the way the Commission allocates its funding. The Objectives are reduced to three and Greece continues to be eligible under Objective One funding. The priorities of the previous programming periods are reinforced. In addition, the long-term goal of the achievement of the macroeconomic criteria that were required by the Maastrtich Treaty for the participation in the common currency also gains significant importance.[24] Therefore, the priorities of the enhancement of the country's infrastructure -both physical and human- is now associated with achieving price stability and reducing the national budget deficits. Overall, the country benefited with EUR 25 billion compared with EUR 19,271 billion in 1994-1999[25].

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[22] ibid, p. 126.

[23] There are two types of areas that are funded by the programmes, the Regional Programmes finance projects in each of the 13 Administrative Regions of the country and the Operational Programmes fund programmes in specific areas (employment etc)

[24] see Plaskovits (2000), p. 384.

[25] http://www.3kps.gr/index_en.htm

Ireland.

During both the 1989 to 1993 and 1994 to 1999 periods, Ireland was treated as an Objective One region. Overall, the structural funds expenditure in Ireland amounted to EUR 4.2 billion under the CSF 1989 to 1993 and 5.8 billion euro under the CSF for 1994 to 1999, equivalent to about 1.7 per cent of average GDP over the entire period. Including the 4 per cent performance reserve, the total Structural Funds allocation to Ireland under the CSF 2000 to 2006 amounts to EUR 3.2 billion. The country also benefited from the projects financed by the Cohesion Fund. The first programming period of the Fund was 1993-1999 in which Ireland received EUR 1,500 million. In the mid term evaluation of the Fund that took place in 2003 the country ceased to be eligible, as it has exceeded the limit of the 90% of the average EU GDP.

1989-1999.

On the whole, the main objective of the Structural Funds and other Community financial assistance under the 1989-1993 CSF was to 'promote economic development in Ireland, to contribute to the objective of raising per capita incomes there towards Community levels and thereby promote greater economic and social cohesion throughout the Community'. (Community Support Framework, Ireland, 1994-1999)

The assistance provided by the CSF 1994-1999 came under four priorities:

- The productive sector
- Economic infrastructure
- Human resources
- Local urban and rural development.[26]

2000-2006.

During the negotiations for the current programming period it was decided that Ireland would have to cease to be eligible for Objective One assistance since it has grown disproportionately to the other Objective One countries. However, the Irish Government decided to divide the country in two NUTS II Regions so that the poor part would continue to be eligible for regional assistance. Consequently, for the 2000 to 2006 programming period, Ireland has been divided in two NUTS II regions: the Border, Midland and Western (BMW) region -which enjoys Objective 1 status to 2006- and the

[26] ibid, p.24.

Southern and Eastern (S&E) region -which qualifies for transitional Objective 1 funding to 2005. That decision -and certainly the fact that the Commission agreed to continue funding half of the country until the end of the period- reflects a growing concern about the pattern of the current development that the country follows[27]. The overall objectives of the CSF are

- The continuation of sustainable national economic and employment growth
- The consolidation and improvement of the country's international competitiveness;
- Balanced regional development;
- Promotion of social inclusion.

Conclusion

This article attempted to provide an explanation to the question of why the implementation of the Structural and the Cohesion Funds had different developmental outcomes in two of the main recipient countries, namely Greece and Ireland. In order to do that it provided an overview of the main normative implications of the sub discipline that is broadly defined as Comparative Political Economy and of the main elements from the Community Support Frameworks that were implemented in the two countries.

The central line of thought in the article is that the divergent developmental outcomes can be explained if we allow for the institutional and the organisational constraints that each of the two countries faces. Certainly, much more research needs to be done in order to identify exactly what it is that constrained Greece from benefiting from the regional spending and what it was that the Irish authorities did, which lead to the successful implementation of the projects.

[27] The increasing urbanisation and centralisation of economic activity causes significant imbalances between regions. The relationship between the latest pattern of economic growth of the country and regional development is discussed in the volume edited by O'Leary (2003).

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Greek Economic Interests and The Single European Act: The Market Takes Over? *

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ABSTRACT

This article attempts to provide a political-economic explanation in a rationalist framework as employed by the approach of Liberal Intergovernmentalism, of the Greek government's 'U-Turn' in the case of the SEA. The government of the Panhellenic Socialist Party (PASOK) from following a rhetoric and economic policy that contradicted to the philosophy of market liberalization inherent in the SEA supported fully and – almost unconditionally – the Single Market Program (SMP). It is the contention of this paper that it was a rational decision that can be explained by the economic interests of the PASOK government rather than an ideological shift or a European 'socializing effect'.

KEYWORDS: Single European Act, Greece, EU, European Integration, Liberal Intergovernmentalism

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1.0 Introduction: The Single European Act and Greece

The Single European Act (SEA) stands as the crowning achievement of the early integration period, the treaty that broke the 'dark spell' of eurosclerosis and paved the way for ever closer union culminating today in the EMU and in the signing of the Constitution of the European Union[2]. Politically and institutionally, the SEA was the catalyst that enabled the expansion of competences of EU institutions and provided a way out of the Luxemburg Compromise of 1966. Economically, the SEA lay the foundations for the Single Market and – debatably – for EMU. The Single Market Program (SMP) was the blueprint for the removal of non-tariff barriers (NTBs) and other regulatory impediments to the free flow of goods, services, capital and labor throughout the EU. Broadly speaking, the SMP has been so far successfully implemented overall, but particularly in trade and capital movement liberalization, while there is still room for improvement in the fields of services and labor (Commission 2005). The growth and trade effects of the SMP are considered to be positive and welfare enhancing for all EU member-states, but particularly for smaller countries where the competition effects from trade liberalization are the most intense (Allen et.al. 1998)[3].

For Greece, a small EU member-state, the SEA holds major importance since it introduced the concept of redistribution not only in the policy-making of the EU but also in the actual goals of the integration project through the term of 'economic and social cohesion' with the subsequent introduction of the Structural Funds[4]. Only in 2004, EU structural transfers to Greece corresponded roughly to 3.9% of Greek GDP or 5.5 billion Euros (OECD 2004), a staggering amount by any standard. In the decade 1995-2005, EU transfers have amounted to an annual average of 3% of GDP. It becomes quite evident that this outcome of the SEA alone renders it a watershed in the history of Greece in EU integration[5]. The SEA holds significant political importance as well, since it marks the decisive pro-Europe shift of the government of the Panhellenic Socialist Movement party (PASOK) from an anti-integrationist approach to the EC to a – problematic at times, yet definitive – embrace of European integration as part and parcel of national foreign policy strategy (the bibliography on this subject in Greek is quite extensive, but for related research in English see Botsiou 2002:25ff, Ioakimidis 1995:435-438, Tsoukalis 2002, Verney 1996, Spourdalakis 2002, Spourdalakis 1988). This 'change of heart' is even more impressive when one delves deeper and examines the changes in the positions and negotiating stance of the PASOK government in the various stages of debates and proposals – beginning in late 1983 – that led to the signing of the SEA in 1986: initially Greece was against *any* proposal for further integration (including the completion of the

[2] Throughout the text I shall be using the term European Union (EU) to refer to the organization in the post-Maastricht treaty era, and the term European Community (EC) for the pre-Maastricht era as well as when referring to issues pertaining to the First Pillar of the EU.

[3] Estimations of the benefits of the SMP are various and run from very optimistic like those made by the Commission (1996), Henrekson et.al.(1997) or Baldwin (1989) to more moderate ones like Italianer (1994), to others that find no impact at all between Commission rhetoric and economic reality like Ziltener (2004). An overall perspective of the potential gains from the SMP is offered by Baldwin and Wyplosz (2004).

[4] The issue of the degree of redistribution inherent in EU cohesion policies is still widely debated. For an overview of the arguments see Tsoukalis (1997), Chapter 9.

[5] On the significance of the EU transfers for Greece see Plaskovitis (1994); Ioannou (2001) has made an excellent study on the effects of the EU's Regional Policy on Greece.

Internal Market and the expansion of QMV; the core of the SEA), always siding with countries traditionally suspicious of any deepening of Europe (UK and Denmark). When the White Paper for the completion of the Single Market was published, Greece was cautious but on the whole positive regarding its ends and the suggested means to reach them. Later, in the negotiations for the institutional (QMV expansion) and the functional (harmonization vs. mutual recognition of standards) aspects of the SEA, Greece was even more positive towards the SEA 'package', and – more surprisingly – towards the Commission proposals. Greece ended up supporting nearly everything the Delors Commission put on the table of the IGCs for the SEA.

Conventional wisdom holds, or implies, that the primary reason behind this shift was the 'carrot' of Community funds that was dangled in front of the Greek government. One can draw a tentative conclusion from the literature and expert opinion[6] on the subject, that the pro-European U-turn of PASOK, though indicative of most European Social-democratic parties' shift on European integration in the 1980s (Bailey 2005), was to a greater extent 'sweetened' by the promise of EU cohesion transfers. This is supported, among others, by Lord Cockfield who explicitly suggests that the support of the Mediterranean member-states for the Single Market was secured by the promise of Community financial transfers (Cockfield 1994). This view has been advocated in the literature pertaining the change of the Greek positions vis-à-vis the SEA. According to Ioakimidis, for instance, it was the Integrated Mediterranean Programs (IMPs), the increased financial transfers from the Community budget and the realization of the negotiating advantages that would accrue to Greece from membership in the EU that contributed to the gradual shift of the PASOK government in favor of European integration (Ioakimidis 1995: 438). Many other Greek scholars seem to more or less subscribe to this viewpoint as well (Kazakos 2001, Tsinisizelis 2002, Botsiou 2002).

The purpose of this paper is to attempt to use theoretical propositions drawn by the political-economic approach of government preference formation to interpret PASOK's policy shift by accepting the SMP and its institutional implication of QMV expansion. For this purpose this approach draws widely from the framework established by Moravcsik's seminal theory of Liberal Intergovernmentalism (Moravcsik 1993, Moravcsik 1998), with particular reference to its propositions on national preference formation. It is my contention that PASOK's policy shift was owed *primarily* to political economic considerations and *secondarily* to 'side-payments' made by the Commission (and other member-states) in the form of cohesion transfers. In this way, I attempt to interpret PASOK's policy shift in a manner consistent with predictions generated by the literature of political economy, as employed by the theory of Liberal Intergovernmentalism, rather than deal with the Greek government of that period as an 'awkward partner', or with Greece overall as a *sui generis* – or maverick – case of a member state. A second conclusion is that even though the PASOK government opted for the SMP, it never espoused its deeper philosophy of market liberalization in the form of structural reforms required to reap the actual benefits of the Single Market. And this is a situation that has more or less remained to this day.

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[6] Interviews with Greek Commission officials and Members of the European Parliament in September 2004 and February-March 2005 in Athens and Brussels.

In the next section (2.0) there will be a very brief outline of the theory of LI with particular emphasis on its component of explaining governmental preferences and its version of the SEA. In the next section (3.0), I provide some broad characteristics of the Greek economy as the literature suggests and then turn to examining the Greek economy from 1981, the year PASOK came to power, to 1985 when the IGC for the SEA began and attempt to explain the governmental preferences for the IGC. Next (4.0), I attempt to trace the course of these preferences in the stage of negotiation for the final text of the treaty and the Greek choice for delegation of competences to institutions. Finally (5.0), I draw conclusions regarding the nature and qualitative value of the findings.

2.0 Liberal Intergovernmentalism (LI) and national preference formation

LI was developed in a series of articles and a book by Princeton Professor Andrew Moravcsik (Moravcsik 1993, 1998). As Moravcsik puts it, the general argument of LI is that

"EU integration can be best understood as a series of rational choices made by national leaders. These choices responded to constraints and opportunities stemming from the economic interests of powerful domestic constituents, the relative power of each state in the international system, and the role of institutions in bolstering the credibility of interstate commitments (Moravcsik 1998:18)".

The theory of LI aims to bring the study of European integration back to the mainstream of the study of interstate cooperation to manage policy externalities stemming from the international policy environment, as it has been developed mainly in the field of international political economy[7], rather than viewing the integration process as a *sui generis* phenomenon of international regimes of cooperation. To accomplish that, Moravcsik disaggregates the process of integration to three stages and employs mid-range theories to explain governmental preferences and choices in each one. Regarding state behavior three basic assumptions form the core of LI theory: states are rational[8], they are unitary in their external behavior, and the primary concern of governments is to remain in office.

Very broadly, the main hypotheses LI puts forth in each stage of the negotiation are the following:

- *Preference Formation*: According to LI, government preferences vary in their intensities across issues and negotiations. On issues where producers manage to overcome collective action problems[9] and form distinct positions on transnational policy externalities, governments turn these positions to preferences. However, in line with the predictions made by interest group theory (Becker 1984, Peltzman

[7] For a review of the aims and propositions of the research project of international political economy see Frieden and Martin (2002).

[8] The term 'rational' is employed by LI in the broadest sense, i.e. that "governments make decisions "as if" they were efficiently pursuing a weighted, stable set of underlying preferences given a constrained choice of means (Moravcsik 1998: 23)".

[9] The term was established by the path-breaking work of Olson (1971).

1989), if rent extraction by these groups exceeds overall welfare to the point of creating opposing social coalitions (their deadweight costs equal to or exceed the benefits of rents) governments will tend to ignore, or even make policy contrary to, the demands of producers. In other words, governments are restricted in accommodating producer interests by regulatory and macroeconomic constraints. Conversely, where societal interests are diffuse and collective action problems persist, governments will have a certain freedom of movement. Such freedom enables governments to pursue a two-level game of using interstate agreements to promote their own internal regulatory or macroeconomic goals[10].

- *Interstate Bargaining*: Interstate bargaining outcomes reflect three factors: (1) the value of unilateral policy alternatives relative to the status quo which underlies credible threats to veto; (2) the value of alternative coalitions, which underlies credible threats to exclude; and (3) the opportunities for issue linkage or side-payments, which underlie "package deals" (Moravcsik 1998: 63).
- *Institutional Choice*: From the credible commitments approach utilized by LI, pooling and delegation of powers to supranational institutions are ""two-level" strategies designed to precommit governments to a stream of future decisions by removing them from the unilateral control of individual governments (Moravcsik 1998: 73)".

<u>3.0 Greece in the early 1980s: An economy in dire straits</u>

<u>3.1 An overview of the economy 1950-1980: the economic background to PASOK's rise to power</u>

The Greek economy from the post-WWII era to the 1980s had been characterized by heavy statist interference and guidance facilitated by the existence and operation of clientellistic networks[11]. Irrespective of clientelistic networks and the political and economic vicious circles they created or the constant presence of statism[12], Greece 'took off' development and growth-wise in the 1950s and 1960s. Throughout the 1960s and up to 1972, growth of GDP in Greece averaged 7% p.a. (Kazakos 2001), ranking her 4th to 5th in European countries. Industrialization in the form of development of the

[10] These goals could correspond to a government's ideological platform, its perception of the public interest or its geopolitical goals.

[11] One must bear in mind that in the period from the early 1950s to the late 1970s (and on some instances in the early 1980s) *dirigiste* policies were not only prevalent throughout Europe but also part of the economic orthodoxy of the period. However, they were based on a corporatist (social) consensus in accordance with what the literature suggests about mixed economies, and certainly without clientelistic networks at least to the degree experienced by Greece. It is beyond the scope of this paper to elaborate further on the issue of comparing Greek versus European *dirigisme* in the period of 'Keynesian' economic orthodoxy in Europe, but a useful comparative perspective is offered by Tsakalotos (1991): Ch. 3. On clientallism in Greece see Mouzelis (1986) and on the (under)development of the Greek civil society see the recent paper by Mouzelis and Pagoulatos (2002).

[12] There are many interpretations offered for the presence of the heavy hand of the state in the Greek economy from the early 1950s to the early 1980s (see Kazakos 2001 for a full account of the role of the state in the Greek economy and a review of the relevant literature).

intermediate sector and capital intensive goods began to gain ground pushing the traditional sector down to 30% of the national product by 1964[13].

From 1974 to 1981 the negative global economic developments coupled with negative macroeconomic performance had brought Greece in its first post-WWII true economic crisis. Increasing defense expenditure after 1974, increasing labor costs – partly as a result of satisfying long-standing and just demands from social groups and partly a result of election circles in 1974 and 1977 – and the introduction of what would become the Greek welfare state increased public expenditure at a time when there was also a constantly growing deficit in the balance of payments owed to a drop in exports and a drop in the current account inflows from invisibles (namely shipping, tourism and remittances) [14]. These developments, combined with a continuing policy of private-sector protection (continuously crowded-out by the state) and a policy of nationalization of firms and businesses by the first post-dictatorship democratic government of Konstantinos Karamanlis, expansive fiscal policies against the backdrop of the global negative macroeconomic after-effects of the major oil crisis in 1979, made 1981 the worst year for the Greek economy since 1960. Stagflation was rampant as GDP growth was negative (-1.6%) while inflation had reached an unprecedented level of 24.5%. It was also the year PASOK came to power.

3.2 PASOK's economic policy 1981-1985

PASOK came to power in 1981 on an agenda of radical social and economic reform aiming at social justice and equitable development. Using theories of economic dependence developed in the 1970s and recognizing the macroeconomic problems plaguing Greece at that time and the long-term structural deficiencies of the Greek economy, PASOK's economic philosophy – as it can be summed up the statements and works of its leader and *par excellence* ideological guide, Andreas Papandreou – once in power[15] can be summarized in the following points (Drakos 1986):

- Decentralized democratic planning
- Socialization of the means of production

[13] It must be noted, though, the gains from such production shift are questionable in Greece as most heavy industries were foreign-owned, government-sponsored and protected with all the costs such rents created and the resources they diverted. Furthermore, the multiplying factor of these industries in the Greek economy remained small (Vaitsos 1986). During that period, however, income inequality seems to have increased in Greece and the gains from growth were not distributed as evenly as in other European countries, although there was a decrease of poverty. That leads to a tentative conclusion of a socially uneven and unequal economic growth. Be that as it may, Greece was experiencing a 'Golden Age' of growth and development similar to – and greater in absolute gains than – the other European countries.

[14] Spraos (1994) makes a very interesting case for a Greek version of the 'Dutch malaise' in the 1970s he attributes to the current account inflows from these three 'big invisibles' as he calls them. According to his view, inflows of the three 'bigs' revaluated the Greek drachma to a degree that constantly hurt Greek exports.

[15] PASOK had undergone major changes in its ideology, aspirations and policy programs since its establishment as a political party in 1974. It is beyond the scope of this paper to discuss these changes but for the interested reader Spourdalakis (1988), Lyrintzis (1987) and Featherstone (1987) offer a good account of the evolution of PASOK as a political movement.

- Self-management of the socialized firms, i.e. the workers along with representatives of the state or local authorities would run the socialized firms[16].

This economic philosophy was supposed to promote redistribution and social justice, remove political and economic patronage and economic state dependence, thus expanding democracy to the social and economic realm. The aforementioned three points of PASOK's economic philosophy constitute a set of 'supply-side' measures aiming at altering not only the ends of the economy, in line with the aims of 'mainstream' European social democracy, but also the means employed, thus making PASOK (at least in its first period of government) a 'left-wing' social-democratic party (Tsakalotos 1998).

These supply-side measures "hardly took off" and socialist reforms of the means of the economy never materialized (Tsakalotos 1998). There are mainly two approaches in the Greek literature as to why: the first one, following what can be termed a public choice approach, focuses on the role of pressure groups and vested interests that constituted PASOK's main electoral base who extracted ever-increasing rents the government was only too willing to provide so as to maintain power and strengthen its electoral base (Kazakos 2001). In other words, the clientellistic networks of old were replaced by a nexus of new networks established around the PASOK party (Drakos 1986). The second approach, loosely termed as a sociological approach, emphasizes on the lack of social capital and social trust the Greek society always exhibited (Lyberaki and Tsakalotos 2002). They point to an absence of building social trust and capital in PASOK's strategy as the main reason behind its abandonment of social-democratic supply-side reforms.

Table 3.1 Economic Aggregates (1981-1989)

	1960-73	1974-1980	1980-1989	1981	1982	1983	1984	1985	1986	1987	1988	1989
Real growth (GDP)	7,7	3,5	1,8	0,1	0,4	0,4	2,8	3,1	1,6	-0,5	4,5	3,8
Catch-up *vis-à-vis* the EC (EU12)	46,9	57,4	56,1	57,9	57,4	56,5	56,6	56,9	56,2	54,3	54,4	54,5
Productivity growth	na	1,8	1,1	-2,7	1,3	-0,7	2,5	2,4	1,4	-0,4	3,1	3,4
Employment growth	-0,5	0,7	1,0	5,2	-0,8	1,1	0,4	1,0	0,4	-0,1	1,6	0,4
Investment/GDP	24,6	25,3	21,1	27,4	24,6	25,0	22,8	23,5	22,7	21,1	21,4	22,5
Unemployment	4,6	1,9	7,1	4,0	5,8	7,9	8,1	7,8	7,4	7,4	7,7	7,5
Current account (% of GDP)	-2,9	-3,3	-4,3	-5,4	-4,1	-4,4	-5,2	-8,1	-3,5	-2,2	-1,5	-3,8
General government deficit (% of GDP)	na	-2,2	-9,7	-8,3	-6,5	-7,1	-8,4	-11,5	-10,3	-9,5	-11,5	-14,4
Gross government debt (% of GDP)	na	23,5	45,7	27,1	29,8	34,0	40,9	47,8	48,4	53,3	63,5	66,6
Consumer Price Inflation	3,3	17,5	18,9	24,5	21,0	20,2	18,5	19,3	23,0	16,4	13,5	13,7

Source: Tsakalotos (1998)

This inability[17] of the early PASOK government (1981-1985) to change the means of the economy[18] coupled with an expansive fiscal policy (resulting to ever increasing levels of public debt) mainly due to its broad social agenda that continued and expanded the post-dictatorship introduction of social welfare (Kazakos 2001, Tsakalotos 1998, Thomadakis and Seremetis 1992), a resulting decrease in public investments in order to compensate

[16] For a fuller analysis of PASOK's economic philosophy see Tsakalotos (1998), Kazakos (2001), Drakos (1986). On PASOK's process of democratic planning see Katseli (1986) and the comment by Desai (1986).
[17] Or unwillingness if one is inclined to view PASOK as a purely 'populist' party.
[18] Even though, as Tsakalotos (1998) convincingly argues, in the period 1981-1985 PASOK enjoyed some freedom – in terms of external regulatory constraints (namely the EC) – in pursuing these supply-side reforms.

for increased public expenditure and decreasing public revenue from tax evasion, as well as a deteriorating current account deficit because of rising imports from Greek EC integration and subsequent crowding out of uncompetitive Greek firms, led to an 'explosive' economy in 1985 (see some main economic aggregates on Table 3.1). It was against this economic background the Greek government entered negotiations for the SEA.

3.3 PASOK and the EC: A very brief account

Relations with the EC were at best problematic for the first PASOK government in the period 1981-1985 (Featherstone 1988, Kazakos 1992, Botsiou 2002, Verney 1989, Ioakimidis 1994, Ioakimidis 1988). Andreas Papandreou had explicitly proclaimed his party's willingness to withdraw from the EC once it came to power. Kazakos (1992) observes, however, that ever since PASOK increased its share of the electorate in 1977 and became the major opposition party its anti-EC rhetoric was toned down from the original position of withdrawal to promising a referendum once in power to let the people decide on EC membership.

When PASOK came to power in 1981, none of its anti-EC proclamations materialized. It maintained the stance of an 'awkward partner' – Kazakos (1992) calls it a 'demandeur attitude towards the EC – but it never seriously debated, nor of course did it advocate, EC withdrawal. In 1982, PASOK submitted its Memorandum on the conditions of Greek membership in the EC (Journal of European Communities 1982) wherein the socialist government attempted to restructure its relations with the EC on a 'fairer' level. Ever since then, Greece maintained this "demandeur" attitude, especially when it came down to economic and financial matters, while declaring itself as opposed to any attempt to strengthen EC institutions. However, in the mid-eighties Greece not only assented to the SEA but in the IGCs (Milan 1985 and Luxembourg 1986) but she also was one of the main supporters of nearly all Commission proposals. In the next section, I will attempt to trace the origins and evolution of this 'change of heart' from a political-economic perspective.

4.0 The Single European Act, the Single Market and Greece: PASOK's 'road to Damascus'?

4.1 Explaining National Preference Formation

The SMP, the core of the SEA, constituted a break with the past of Euroclerosis. After numerous plans and proposals – where competing visions of Europe were suggested, debated and dismissed (Moravcsik 1998: 314-378, Ioakimidis 1986) – its primary objective was the implementation of the SMP as outlined in the White Paper (Commission 1985). The SMP entailed full liberalization of trade across the EC which would be facilitated by the introduction, until 1992, of the 'four freedoms' of movement. To complete the internal market – "an area without internal frontiers" (Article 18 of the SEA) – and the required deregulation on a European scale on time, decision-making rules would have to be changed to attain institutional efficiency. For that purpose, the expansion of QMV was required (an account of the proposals and the final areas where QMV was expanded is provided in Ioakimidis 1988).

Given PASOK's economic policies and overall ideology vis-à-vis the role of the state in the function of the market and economic development, one could assume that the SMP ran counter to just about everything PASOK was advocating as the proper economic policies for Greece. However, if one approaches the process of government preference formation with regard to the SEA from a political-economic perspective, in accordance with the approach of LI, and examines preference intensity across issues, one may reach a plausible explanation of this seeming 'paradox' (see Kazakos 1992 for a similar interpretation of the Greek SEA policy shift).

As it was outlined in the previous section, and can be also seen at Table 3.1, the macroeconomic situation in 1984-85 became quite dismal for the Greek government. Not only had the 'supply-side' structural reforms not materialized, but also public expenditures had increased (nearly by 70% from their level in 1981) and the current account situation had deteriorated implying continuing loss of competitiveness (Hassid and Kaltsos 1992). In the period 1980-85, when discussion for the SMP began and SEA negotiations ensued, the Greek productive sector had the following characteristics:

- Greek industrial production was mainly limited to consumer and intermediate goods with each sector occupying respectively 43% and 37% of the overall industrial production with the capital goods sector occupying only 20% of overall industrial production. In contrast with the 12 EC member-states at the time, Greek production was mainly labor rather than capital-intensive, while demand for imports of consumer and intermediate goods sectors being income-elastic (Hassid and Kaltsos 1992: 60-61). As a result, since the Greek accession there had been a noted strong displacement of Greek consumer goods from EU imports. This led to an increasing trade deficit, deteriorated further by the worsening performance of agricultural exports (Yannitsis 1993; see also Table 3.1 of this paper).
- Since 1980, a strong increase in the services sector began to displace the production sector.
- Since the Greek accession to the EC no strong technology infusion from foreign multinationals to the Greek productive sector had been observed, as it might have been expected. A reason might be that even though the cost of doing business in Greece decreased with the advent of Greek accession, Greece lacked the infrastructure or market proximity that would make it an attractive destination for investment capital, although successive Greek governments had attempted to lure foreign capital (Hassid and Kaltsos 1992, Yiannitsis 1993, Yiannitsis 1994).
- In the year of Greek EC accession (1980), the productive sector was enjoying a high degree of protectionism mainly in the form of 'at-the-border' measures (tariffs and quotas) varying from 70% to 533% in certain goods![19] This high level of protection had undoubtedly decreased as a result of the Greek accession

[19] For instance, the food sector enjoyed a level of protection running as high as 333% while the beverages sector enjoyed a protection level of 533%. See Table 9 in Yannitsis (1993) for a comprehensive presentation of the level of protection per goods category.

obligations; however it remained higher than the overall EC level prior to the SMP (Hassid and Kaltsos 1992: 292-304).

- 62% of Greek goods in the manufacturing sector are classified as 'sensitive' (Hassid and Kaltsos 1992: 40), i.e. their competitiveness is proportional to the level of protection they enjoyed. Their sensitivity refers to their expected displacement by imports when their protection is removed (or decreased) by the SMP. Another important characteristic is that – in contrast to the other EU member-states at the time – these sensitive goods cannot be located to a specific branch. Some of the sensitive goods are capital goods, while others are consumption or intermediate goods. Furthermore, results from a research on Greek producer expectations of increased sales by the SMP show that only 5% of 'advanced' goods[20] producers expect increased sales from the SMP (Hassid and Kaltsos 1992: 41). The conclusion that can, therefore, be drawn is that because of high protection levels, there is an indeterminate comparative advantage for Greek producers.

Be that as it may, from a wide-ranging study on Greek producer expectations from and attitudes on the SMP (Politis 1992), the results show high expectations from the SMP. On average, they show an expectation of a 10% increase in their sales which is mainly attributed to increased exports (Politis 1992: 104-105), but the main conclusion of studies on Greek producer attitudes regarding the SMP show optimism and expected benefits. However, it must be noted that the producers who indicated the largest expectations from expected benefits by the SMP did not belong to branches showing economies of scale and intra-industrial trade characteristics which – as the theory indicates (Baldwin and Wyplosz 2004) – would stand to gain the most from the SMP by agglomeration and concentration effects. Another important characteristic that differentiated Greek producer expectations from the SMP from those of other member-states' producers is that for the Greeks, the greatest benefits would accrue not from the removal of tariffs but from the decrease of finance costs. This can be easily explained since banking costs in Greece were the highest amongst the EC, however the liberalization of financial services would arrive in Greece almost a decade after the SEA. Perhaps, this delay in financial services liberalization is one of the factors that impeded full exploitation of the SMP benefits by Greek producers.

Greek producer preferences overall are in favor of the SMP, and the expected gains therein are significant although less than their actual expectations[21]. However, the degree of risk they attribute varies from branch to branch with producers the paper and the textiles sectors describing themselves as the most exposed to foreign competition. But even in these sectors, the expected benefits – with particular reference to finance liberalization and a decrease in banking costs – outweigh any expected risk. Another interesting conclusion concerns producer expectations from the loss of protection. Greek producers seem to give more importance to the liberalization of financial services and the decrease of banking costs rather than the loss of protection (Politis 1992, Hassid and Kaltsos 1992). Besides, the SMP program does not 'endanger' the level of state

[20] Goods that are competitive and enjoy low or no protection.
[21] Hassid and Kaltsos (1992) place the overall gains in sales for the Greek industry from the SMP at 1%.

purchases from businesses as roughly 40% of state purchases remained exempted from Directive 88/295 EEC which mandated the opening of state purchases to foreign producer bids. Furthermore, from those state purchases open to foreign bids, only 20% was estimated to be vulnerable to foreign producers (Hassid and Kaltsos 1992: 371). Therefore, roughly 78% of state purchases would remain unaltered from the SMP program (Hassid and Kaltsos 1992: ibid).

Even though producer preferences are positively inclined towards the SMP, they may nevertheless seem *prima facie* as inconsistent with the level of protection they enjoyed. Why would producers even in branches that enjoyed levels of protection running as high as 500% be in favor of the SMP? One reason could be attributed to their low information. Producers may have little knowledge of the SMP and their positive attitudes for the, inherently damaging to their protection, SMP may indicate just this fact. Such explanation, however reinforces the initial question as one would expect producers to be disinclined towards the SMP *precisely because* of the high levels of protection and the – unknown to them – nature of the SMP. A more plausible answer to this question of Greek producer inconsistency may therefore lie in the reason that gathered their strongest support: financial liberalization and the decrease of banking costs. One way of looking at the very increased – by EU standards – banking financial transactions costs in Greece in the period in question (1980-1985) is as governmental means of financing rent-seeking. As the literature suggests (Becker 1983, Peltzman 1989), rent-seeking activity may reach a level where the deadweight losses (in the form of taxation and other regulatory constraints) may come to encumber the rent-seekers themselves[22]. At this point the costs may far outweigh the benefits accrued from rent-seeking, restraining local businessmen while simultaneously they have to face increased competition in the form of imports as was the case in Greece in the early 1980s[23]. In such a situation, Greek entrepreneurs may pressure for the SMP as a means of limiting the deadweight losses. Greek producers' interests vis-à-vis the SMP can be ascertained by examining Table 4.1.

[22] The caveat here of course is that there are few entry costs for new rent-seekers in the market.

[23] It should be noted here that in the decade 1970-1980 Greece increased the 'cost of money' while the trend in the other EU member states was in the opposite direction (Hassid and Kaltsos 1992: 243).

Table 4.1: Growth Prospects for the Greek productive sector (per branch) in the Single Market

Industry Branch	**Share in Greek Industrial Production (%)**	**Growth Prospects in Single Market**	**Self-Sustainability**	**State Support**	**Nature of State Support**
Wood Products (except Furniture)	1,6	High / Medium	High / Medium	Not Needed	
Printing / Publishing	2,1				
Various (non-classifiable) industries	1,0				
Plastic and Rubber Products	3,2				
Foodstuff	13,4	High / Medium	Low	Needed	Sectoral state aids towards restructuring these branches so as to maintain and increase their competitiveness in the Single Market
Beverages	4,7				
Apparel	6,5				
Furniture	1,0				
Metal products	6,2				
Machineries (except electric)	1,6				
Means of Transport	7,0				
Textiles	16,1	Low	Low	Needed	Sectoral state aids towards restructuring these branches so as to facilitate a smooth transition for the workers employed to other branches.
Petrol Products	3,3				
Basic Metals	6,6				
Electric Equipment	4,5				
Paper	2,0				

Source: Hassid and Kaltsos (1992), Politis (1992)

Table 4.1 shows estimates of expected gains for sectors of the Greek industry from the SMP. The table is divided not only by growth prospects per sector, but also by self-sustainability in the face of increased competition in the Single Market. It becomes immediately clear that, despite the overall positive expectations of Greek producers for the SMP, sectors representing a mere 7,9% of the total industrial product stood to gain from the SMP without any need for support policies (restructuring, infusion of technology, staff retraining etc.). An additional 40,4% would have substantial gains from the SMP provided some kind of sectoral state support would be provided. In other words, sectors that comprised half of the entire Greek industrial product would have substantial gains from the SMP, albeit with state industrial policies to assist in their initial coping with the increased competition. Sectors comprising the other half of the Greek industrial product would lose from the SMP. Of these, however, the textiles sector represented a special case since there was a general protectionist trend in favor of textile products in the EU at the time. Therefore, excluding the textiles sector, roughly a third (26-27%) of Greek industrial product stood to lose from the SMP.

To sum up, despite their positive expectations Greek producers overall stood to lose from the SMP at least the short-run of its implementation mainly because of its required adjustments. Certain sectors (or firms) stood to have direct gains but they represented a tiny amount of the overall Greek industrial product. However, the majority of the rest of Greek producers either would continue to enjoy protectionism as a general EU trend (textiles) and the rest would stand to gain substantially provided there was state support in their modernization and restructuring efforts. The general attitude of Greek producers, however, was positive towards the SMP leading to the assumption that the government would not face any producer pressures against trade liberalization. There might be pressures exerted on the government for continued (or increased) state support to overcome initial competitive pressures, but Greek producers would not stand in the way of Greece joining the SMP. Perhaps the lingering promise of increased Community funds could provide the PASOK government with the necessary means to assist these firms in their attempt to successfully cope with European competition. A final point that can be drawn from Table 4.1 with regard to Greek producer preferences is their diffuse nature. There cannot be discerned a particular cleavage between prospective winners and losers from the SMP either in terms of sectors or in terms of size (Hassid and Kaltsos 1992). Therefore, one can draw a rough – and to a certain extent intuitive – conclusion that given the diffusion of the winners and losers from the SMP[24] there would be collective action problems in voicing their preferences.

In conclusion, in the period around which the issue of market liberalization in the EC that later took form and substance in the SMP began to be debated and negotiated, the Greek government was faced by serious macroeconomic restraints in continuing its protectionist policy, while its policy of structural reform was abandoned. At the same time, various social groups that formed its electoral base continued their rent-seeking activity (Kazakos 1991: ch. 5) regardless of the economic crisis of 1985. The crisis was so severe that according to D. Halikias, chairman of the Central Bank of Greece 1984-1992, in the period between October 1985 and February 1986 foreign exchange reserves had fallen bellow the safety zone, from 1 bn. USD in the early 1980s to 350 m. USD in February 1986 (cited in Kazakos 2001: 374). The government had to take some restraining measures, which were featured in the ‘austerity program’ of 1985-1987 and needed an urgent infusion of funds in the form of a loan.

However, these measures would have to be implemented in lieu of producer pressures for protection or state aids – in accordance with the discussion of the previous paragraphs – and rent-extraction by other social groups (e.g. trade unions and other social groups[25]). Furthermore, these measures entailed devaluation of the Greek currency. If any long-term

[24] Not to forget – also – the underdevelopment of a Greek civil society and the minimal representation of sectoral producer interests per se in the Greek party structure.
[25] The ‘underprivileged’ in PASOK’s political lingo

benefits were to be reaped from devaluation in terms of competitiveness, the drachma would have to be secure from speculation. Therefore, the government required some steps that would show to the international market the credibility of its economic commitments.

In the logic of two-level games, the PASOK government needed an external restraint that would be 'face-saving' vis-à-vis the societal pressure groups, enable it to maintain power, and would provide it with the required status to secure an international loan. One option would be to call for International Monetary Fund (IMF) intervention. However, the definite structural 'shock therapy' that would be a prerequisite by the IMF would lead to certain political upheaval and loss from power. In addition, a move towards the IMF would indicate unconditional surrender to the 'purest' form of liberalism the IMF is known of, an anathema for a social-democratic government like PASOK. Any IMF intervention would, also, prove to be catastrophic in the short-run for most – if not all – of the Greek enterprises. Generally speaking, for any government in Greece at the time, and particularly for the socialist government of PASOK, the IMF would be politically suicidal.

A second alternative, purely unrealistic, might have been the pursuit of a 'socialist transformation' of Greece. A 'mild' version for such an alternative would be the pursuit of an economic policy program along the lines of Mitterrand's brand of French socialism in the early 1980s, and an extreme version would be a Greek socialist 'third way' as envisioned by Andreas Papandreou in the 1970s. The latter was never – at least in the mainstream – agenda of PASOK, nor was it politically or economically feasible in 1985. Such policy would be unfeasible in light of the level of Greek integration in the European – and global – trade nexus and of the extreme levels of high debt. The same argument could be more or less used against the option of following the French example, especially in a period when President Mitterrand exhibited an about-face from such policies, and when the limits for devaluation of the Greek drachma were far less than those France had at its disposal when it embarked on this quasi-socialist endeavor.

The SMP was the only politically and economically feasible alternative for the government of PASOK. It provided an external restraint the government could use as an excuse for not accommodating rent-seeking by internal interest groups and would give the government the necessary status to obtain a loan from the international market on more favorable terms. As a matter of fact, the latter took the form of a 1,75 bn USD loan to Greece by the European Community in 1985. The EC acted as a 'mediator' between Greece and the international markets so as to secure a loan on more favorable terms than the Greek government acting unilaterally. Another, more subtle, economic gain from the SMP concerned the Greek producers themselves. It can be assumed that after the failure of implementation of the 'supply-side' reforms the PASOK government had in its agenda, it was faced with a policy 'dead-end' as competitiveness was deteriorating. The SMP may have provided a 'way out'. Its relatively long-term implementation, and – as Gillingham (2003) claims – the regulatory provisions it entailed that gave it a decidedly 'not too liberalist' outlook[26], could have been viewed by PASOK as a valid way to adjust less painfully to the conditions of growing international trade interdependence and capital movement. In other words, the SMP was the 'lesser of all evils'. It gave the PASOK government the required autonomy to pursue a more stringent economic policy, satisfied certain producer interests and – with its promise of cohesion[27] - it would give the government (unspecified) funds to compensate for the decreased level of public expenditure. These funds would enable the government to move towards increasing competitiveness and restructuring Greek production so as to adapt to the conditions of the Single Market. At the same time, however, there is no indication that the government actually *ascribed* to the 'new economic orthodoxy' that was beginning to gain momentum in Europe. There is no such indication from any government statements, leading to a tentative conclusion that Greek assent to the SMP and was purely from a short-term instinct for political survival. There was no long-term contingency program or strategy on how to use the, yet unspecified but forthcoming, EC funds[28], or the indications of a tight monetary policy. A possible political explanation might be that since the period between 1985 and 1990 was characterized by very intense political confrontation between PASOK and New Democracy (ND), the main opposition party, the government might have been unwilling to commit itself, even symbolically, to anything that might approach the ND agenda[29]. The 1987 abandonment of the austerity program – in pursuit of a 'populist' policy as Kazakos (2001) phrases it – might be an indication of the government's short-terminism regarding the SMP and the required structural changes.

4.2 Intertate Bargaining and Institutional Choice

In the initial stages that proved the base of what would later turn out to be the negotiations for the IGC (the Genscher-Colombo plan, the Plan for a Treaty of the European Union the Stuttgart summit of 1983 "Solemn Declaration on European Union), the Greek government sided with the UK in refusing to accept any move towards further integration. This could be attributed to the ideological anti-integrationist predisposition of the PASOK government at the earlier stages. It must be emphasized here, that these stages were of a rather ideological direction regarding the future of the EC and did not contain any issue-specific proposals (beyond vague notions about the Internal Market) around which substantial interests could be formed. Or, if they did, they were part and

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[26] According to Gillingham (2003), the SMP was liberalizing trade within the EC, but at the same time it established a pan-European regulatory 'state' as supervisory authority was granted to the Commission. Therefore, one cannot convincingly argue that the market philosophy prevailed in the SMP. This view may be valid, given the fact the economies of EC member-states were mixed with a visible state presence and the Delors Commission never hid its social-democratic perspective at least in the face of Delors.

[27] Since no actual amount had been discussed in the IGCs, or mentioned in the treaty text. However, the Greek government was aware that any forthcoming transfers would exceed those of the Integrated Mediterranean Programs (interview with Greek Commission official present at SEA negotiations, 28th March 2005).

[28] The implementation of the First Community Support Framework (CSF) and allocation of its funds indicate such lack of planning or economic policy shift.

[29] PASOK was already under opposition fire and mockery for its change towards the EU. This might explain some 'independent' positions the PASOK government adopted in the European Political Cooperation (the case of the South Korean 747 comes to mind), so as to compensate for its policy U-Turn on European integration in the SEA.

parcel of what could be loosely termed as a 'federalist' view of Europe and unacceptable – primarily – by the UK and Denmark as well. Greece was also very negatively predisposed towards QMV expansion given its fears of the other member-states utilizing it 'as a back door' to move Turkey closer to the EC[30].

When the White Paper, that contained a set of concrete measures, policies and goals, was published in 1985 the first reaction of the Greek government was cautious yet overall positive. The Greek position was tied to the problem of what it perceived as unequal distribution of the potential benefits of the SMP, something the Commission had recognized as well. This reservation was implicit in the Greek positions in the 1982 Memorandum and more explicit during high-level discussions between members of the Greek government and Commission officials in 1983. Greece was aiming at compensatory transfers from the EU to cover the cost of convergence and restructuring within the Internal Market. Greece had Spain and Portugal as its natural allies in this cause. During the IGCs, this position does not seem to have been the subject of any tough negotiations (i.e. no threat to veto was made by Greece, Spain or Portugal, and there were no threats to exclude Greece from any alternative coalitions, i.e. a 'multi-speed' Europe). The Greek government, given its preferences, had no unilateral alternatives either. This is anyway beside the point, as the issue of EU transfers had already been agreed in principle by the 'big' member-states, namely France, Germany and the UK (Moravcsik 1998: ibid.) in view of the forthcoming accession of Spain and Portugal. Even if actual amounts were discussed, Greece had no credible veto threat to employ in order to raise them, and the other two Mediterranean countries were still in no position to make any demands. However, under the assumption that the Greek government was rational, the Greek assent can be primarily attributed to its economic preferences. The SMP provided an economic short-term way out, while having promise in the long-run as well. The signing of the SEA would give credibility to the austerity program the government was implementing in 1985, provide autonomy against internal pressure groups and with its promise of cohesion the government could increase its public investment without severely compromising its social agenda.

On the stage of institutional choice, Greece agreed with the proposals at the table, namely expansion of QMV and strengthening the role of the European Parliament with the introduction of the cooperation procedure. QMV was essential for the implementation of the SMP, and Greek government recognized this necessity as well (Kazakos 1993). Greece could have probably sought an 'alliance' with the Commission in terms of strengthening the Commission's position[31] so as to be able to grant Greece the highest possible amount of funds. It seems that ideological factors did play a role here as well, as the Greek government found in Delors a 'true socialist'.

[30] I am grateful to Dr. Mitsos for this insight. The reasons behind this Greek aversion for QMV expansion only reinforce the viewpoint of an extremely suspicious PASOK towards the EC in general.
[31] Albeit with the caveats that Moravcsik points out (Moravcsik 1998: 375-378). This is also examined by a greater research project, Maragakis (forthcoming).

5.0 Conclusion

This paper has attempted to examine PASOK's European U-turn as exhibited by its signing of the SEA and assent of the SMP. This change can be well attributed to political-economic considerations rather than to an ideological shift or to the 'socialization' effect of European integration. It attempted to show that the government's decision was rationally consistent with the economic constraints it faced. After failure of its structural reforms, the SEA was the best available alternative to the increasingly untenable current macroeconomic conditions and rising internal pressures for rent-extraction exerted on the government by various societal groups. In other words, and in line with the proposals put forth by the theory of LI, the Greek government opted for European integration when perceived as reinforcing its internal position. This finding is consistent with other findings by LI for other European countries of the time, namely Germany, France and the UK. Greek preference formation can be primarily explained by political-economic criteria, as opposed to an ideological explanation (the government was learning the European 'game' of negotiations, or it espoused market liberalization), or one concerning high-politics (namely the strengthening of the EPC which was envisaged in the SEA negotiations) [32]. This is strengthened further by the Greek 'break' from its austerity program in 1987 when faced with difficult elections, i.e. when faced with a political business cycle. The issue of EU transfers only strengthened the Greek resolve to join the SMP, but they were not the main reason as the analysis has demonstrated. Furthermore, the fact that Greek producers' attitudes were favorable towards the SMP while nearly two thirds the Greek productive sector stood to have gains from the SMP, albeit with the need for government support in restructuring and adapting to the new environment, only strengthened the PASOK government orientation in favor of the SMP.

During the stage of interstate bargaining, Greece was too constrained to do anything but agree to the SMP. However, it is unclear in the Greek case how far did the Commission's supranational entrepreneurship play a role in facilitating the Greek assent. There are indications that it did, as the Commission's regulatory agenda was broadly ideologically similar to the Greek government's, and there was also the promise of Community funds as early as 1983 (even while the IMPs were at the stage of implementation). Furthermore, in the Greek case the Commission may have acted as an information agent as well, providing the Greek government with insight it lacked. This might break from the conventional LI view of interstate bargaining, but it is a point for further research.

In the case of institutional choice, Greece was positive for QMV expansion and the institutional strengthening of the EP. In the former case again it is yet unclear, how much of the Greek assent can be attributed to efficiency for the implementation of the SMP as the LI theory suggests, or to a ('natural') alliance of a small states with the Commission due to ideological reasons (a sense of agreement with a 'social-democratic Delors, or a sense of Commission 'protecting' the interests of small member-states versus the bigger ones).

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[32] For a full elaboration of these alternate views and the primacy of economic interests over them see Maragakis (forthcoming).

This political-economic approach also indicates the difficulty of structural reforms in Greece even in the face of an external restraint like European integration. Following PASOK's electoral defeat in 1990 the government of New Democracy attempted to implement structural reforms, albeit with a 'liberal' agenda. These reforms failed as well[33]. When PASOK came to power in 1993, and particularly after 1996 when it had proclaimed its adherence to the 'new economic orthodoxy' setting EMU as the first and foremost national objective, it still failed to implement any structural changes required for a smooth adjustment to the EMU era (Andreou and Koutsiaras 2004).

Nevertheless, even though the SEA never brought a real new spirit of market liberalization or reforms in Greece, it remains without dispute that it had given European integration a permanent central position in Greek politics.

[33] Tsakalotos and Liberaki (2002) make a very interesting case for common reasons behind the failure of reforms by the first PASOK government (1981-1985) and the New Democracy government (1990-1993) for a lack of social trust and social capital.

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Ι Δ Ε Ο Λ Ο Γ Ι Κ Ο Ν

I D E O L O G I K O N

Multi-level Governance, Europeanisation

and the poorest EU region:

Epirus and the 2nd Hellenic Community Support Framework

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Abstract

The 1990s have seen the emergence and growth of the European polity as a result of milestone developments in the EU's institutional realm. The Single European Act in 1987, the review of the EU regional policy in 1988 and the Treaty of the European Union paved the way for the retreat of intergovernmentalism and set the scene for the practice of multi-level governance, where powers and competences are shared among European, national and subnational organisations in a number of key European policy areas. Concurrently, this renewed thrust of European integration started producing sizeable domestic impact termed as 'Europeanisation', closely associated with the notion of modernisation, in member states, chiefly in the cohesion countries that were subject to a regional policy progressively acquiring its standing on the plateau of EU key policy areas. Regional or cohesion policy has entailed the institutional innovation of partnership, the provision of working relationships among the European Commission, central national governments and subnational socio-economic forces and sizeable increases in funding available for regional development policy implementation. Greece, after an uncertain decade of EU membership, has been reported to show signs of adaptation to European structures and norms in the 1990s, leading to the country's entry to the EMU, whereby there has been an alleged redefinition of the role and functions of the state vis-à-vis the regions and society. This paper looks at the implementation of the 2nd Community Support Framework Regional Operational Programme (ROP) for the Greek region of Epirus, quoted as the poorest EU region for the 2nd programming period 1994-1999 (Bache, 1998) to ascertain the validity of these claims in this regional context. Our findings negate many of the features of analyses looking at Greece in the 1990s and shed further light to work looking at the current 3rd programming period where Greece is reported as showing very poor adaptation to European structures.

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1. Multi-level Governance and Europeanisation

Multi-level governance (MLG) closely relates to the emergence of the European polity (Scharpf, 1988:266, Rosamond, 2000:52, 55-56) and lies at the heart of the debate between the two main streams of literature attempting to shed light to the evolution of the European enterprise since its inception at the start of the 1950s and its renewed dynamism from the mid-1980s onwards, namely *intergovernmentalist* or *state-centric* and *neo-functionalist* theories. The former attributes special importance to the state, the state executive and inter-state bargaining, while the latter looks at institutional evolution as the main propeller behind European integration. Moravcsik has been the primary recent advocate of intergovernmentalism and the role of inter-state bargaining, driven by national preferences formed by the interaction of societal strata with national central governments, in European Union policy-making (Moravcsik, 1993:481-487, 495-501). Moravcsik offers a clear account of how policy co-ordination is brought about within the EU framework, how this process is managed among and reflects internal socio-economic dynamics within nation states. He argues that national preference formation and policy pursue rests upon the interaction of domestic societal groups with the government and that the constraints imposed on governments correspond to the gains and losses by expected policy outcomes. Mechanisms of intergovernmental negotiation are referred as being the delegation to supranational officials and the "pooling of sovereignty among them", thus achieving efficiency in bargaining, at the expense of somewhat higher risks vis-a-vis domestic groups; domestic goals are thus made more attainable. Moravcsik has argued that EU regional policy is a field of lesser importance for European national governments; regional policy is interpreted as side payments extended in exchange for national executive voting majorities or unanimity required on other policies (Moravcsik, 1993:496). Other akin contributors similarly approach the advancement of integration as a process lead by member state executives as the primary actors (Rosamond, 2000:100,130-131). As discussed subsequently however, intergovernmentalism certainly fares better in interpreting treaty legislation and other milestone institutional advancement in the EU, or when temporally applied to the period leading to the ratification of the Single European Act in 1986. What the SEA constituted was a decisive turning point on the path to further European integration which state-centric approaches, to the very least those put forward in the first half of the 1990s, could not anymore track further. The Act, put together and forward by a resolute Commission under Jacques Delors and in preparing the ground for the completion of the Common Market, expanded policy competence at Community level in encompassing such areas as linked to the creation of the internal market, such as social and regional cohesion, introduced majority voting in a large number of European domains of policy and further paved the way for the qualitative characteristics of future integration in terms of enhancing the role of the European Parliament and providing for a common currency and a single monetary policy regime. The review of the EU regional policy, culminating in the creation the Structural Funds and national Community Support Frameworks in 1988, as well as the Maastricht Treaty on the European Union (TEU), consolidated and brought further this set of institutional innovations (Rosamond, 2000:98-99). This competence expansion involved the empowerment of new and existing actors in the EC/EU decision-making processes designed anew. Specifically, the review of the regional policy provisioned the participation of subnational governance as partners in the design and implementation of regional operational programmes with the European Commission and national governments (Nanetti, 1996:64). Further, the established institutional co-operation and co-decision procedures between the European Council, the Parliament and the Commission transformed the legislative process from a once Council-dominated premise to a dialectic process among the three organs (Marks, Hooghe and Blank, 1996:364). Moreover, the TEU itself has been the first instance of European treaty legislation that, once concluded, sparked widespread mobilisation, instigated intense debates and raised concerns in virtually all member states and beyond. These developments upturned a key state-centric argumentative premise that national political contexts or ‘arenas’ are discrete or nested, as the cumulative expansion of the European political economy started being shaped by a growing interaction across member states based on the pursue of common interest at Community, or Union level. All in all, the 1985 to 1995 period, the two terms of office of the Jacques Delors Commission, represents rather indisputably a departure gradient for the study of European integration, from the point where state-centric conceptions were able to yield explanatory power and onto a new context where “states are melded gently into a multi-level polity by their leaders and the actions of numerous subnational and supranational actors” (Marks, Hooghe and Blank, 1996:371).

Marks has further placed regional policy as the foundation for his MLG theoretical proposition, where (i) a centripetal process within the EU transfers decision-making competences to the institutions of the Union and concurrently (ii) there is a centrifugal process by which authority is driven away from national central governments towards subnational authorities (Marks, 1993:402), whereby cultivation of contacts with the third triangular apex or *latus* of the MLG conceptual triangle, the EU institutions, is facilitated. Marks has pointed out that, "beyond and beneath the highly visible politics of member state bargaining lies a dimly lit process of integration, and here the Comission has played a vital role", by propelling its initiatives (in regional and other sectors of policy) across the polities and territory of the European Union, thus bringing about multi-level governance (1993:392). The enhanced role of the Commission vis-à-vis national state executives has particularly become evident as, according to regulations governing this 2nd programming period (1994-1999) under study, the Commission initiated and had its executives negotiating bilaterally with government officials from the cohesion countries and regions (Marks, Hooghe and Blank, 1996:365-366, also in Nanetti, 1996:69, 73-74, for reference in national contexts see Ioakimidis, 1996:356-358, Magone, 2001:125-133, Morata and Muñoz, 1996:202-204, 206-210, Grote, 1996:277-278) and further had German regional policy redrafted on the basis of it conflicting with European competition regulations (Marks, Hooghe and Blank, 1996:367, Thielemann, 2002:49-52, 59-60). This involvement and, in general, the various manifestations of MLG have yet been more visible in policy implementation. The Commission has had formal executive powers and national governments bear the principal political responsibility for implementation, however these competences have been shared. In turn, the Commission, by being involved in the daily implementation of policy (regional, cohesion, environmental, common agricultural and other), maintains working relationships with subnational authorities, various interest groups and businesses. Within regional or cohesion policy, the involvement of the Commission reaches as far out as the field of implementation, since the realisation of the partnership principle in designing and drafting regional development programming require Commission representation and the active presence of Commission staff in all stages of the policy process, namely consultation, composition, fund allocation, implementation and evaluation of programmes. In particular, the working relationship and links fostered in the programme monitoring committees among the national central government, the European Commission and subnational authorities and organisations, “break open the mould of the state”, in that the exercise of governance involves and employs a variety of actors and institutions within as well as beyond the territory of individual member states (Marks, Hooghe and Blank, 1996:368-369).

What hence matters greatly are the implications of the emergence and growth of the European polity and the practice of MLG for national and regional political economies of European member states. The literature on

"Europeanisation" attempts to shed full light to the workings of the multi-level governance structure (Börzel and Risse, 2003:59, 63). What is witnessed in this field of study is *complex causality*; references to structure and agency appear in differentiated and often related facets within European multi-level governance. EU membership rights obligations can have far-reaching domestic ripple effects in terms of their domestic impact[1]. Agency has been reported as not merely unidirectional or "top-down", but rather manifesting in evolving patterns (Featherstone 2001:6-7) and feedback loop circuits (Börzel and Risse, 2000:1). Keeping with the European Union as a prime point of reference, Radaelli furnishes us with concepts such as construction, diffusion, institutionalisation of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things', and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in domestic actor discourse and dialogue, norms, values and identities, political and administrative structures and public policy in general (Radaelli, 2003:30). Radaelli also clears the ground of related terms such as (institutional) convergence, harmonisation, political integration, in stressing that these and other related phenomena are outcomes out of what is actually studied, that is the internalisation of European routine. Drawing on related earlier work, Radaelli further identifies four possible endpoints as outcomes of Europeanisation processes leading to change, namely *inertia*, *absorption*, *transformation* and *retrenchment*. Inertia describes a situation of lack of change and may result by dissimilarity between EU novelty and domestic established practice. Manifestations of inertia include delays in the transposition of legislation, delays in policy implementation and general resistance to EU-induced change. Absorption and accommodation indicate adaptation as the form of change against a domestic backdrop of resilience and/or flexibility. This backdrop conditions the outcome as one of mere policy accommodation rather than a more extensive induced change in structures and forms as those outlined above. Transformation denotes paradigmatic change: a new primary frame of reference appears within the structure(s) influenced by the process under study, constituting a new reality in the course of evolution of the organisation. Finally, retrenchment constitutes a rather paradoxical effect, as it is about domestic structures "pulling back", adopting an esoteric stance and become more remote to the European state of affairs than initially. This outcome may particularly come about in cases where opposition by domestic societal and interest groups is very high (Radaelli, 2003:36-38). In their attempt for simplification of theoretical propositions and identification of areas for further research, Börzel and Risse (2003:58-59) make reference to two conditions, one necessary and one sufficient, that need be present if any induced change is to be observed by any Europeanising agency. First, anything European incurring domestically must be somehow incompatible to the present national context. This incompatibility, or 'degree of misfit', leads to adaptational pressures that constitute a necessary, but not sufficient, condition for domestic change. Such adaptational pressure, resting on the EU legal constitutional backdrop, is not to be neglected as the case might be in other supranational organisations. Börzel and Risse distinguish between policy and institutional misfits. The former represent problems of member states' compliance with EU policy paradigms, regulations, rules, aims and the modes by which these are to be achieved. Policy misfits are shown to generate pressures for adaptation in all member states, as they stem out of national policy reserves fundamentally shaping European policy and administration as a "patchwork" or puzzle[2]. The latter kind, institutional

[1] See Dyson and Featherstone on the impact of EMU in Italian politics (Dyson and Featherstone, 1999: 508-509, 533).

[2] This is because policy formation is not dominated by preferences of some (notably the larger) member states but is rather based on an aggregation of very diverse approaches 'uploaded' at European level from across member states, a fact that

misfit, effectuates change that is long term and incremental. Rules, processes, procedures, collective comprehensions and mentalities associated with them are challenged and substantial adaptational pressure may result, however change is to be observed over a longer period. Change however requires a second condition to suffice, which is that of *domestic medium facilitating* change. Institutions or actors themselves respond to the pressures for adaptation and bring about change and these authors identify the domestic institutional structure as a key factor in the internalisation process. A country's institutional structure might be equipped with multiple veto points that may empower actors having diverse interests towards resistance to change. Here, the degree of dispersion of power, formal and informal, in the governance system across the territory is of significance. Börzel and Risse refer to European transport deregulation, where the reforms were able to be seen through in Germany, unlike the Italian case where trade union and professional associations prevented reform, to offer a case where *informal* power, temporally exercised (e.g. via strike action), is exercised to resist change (ibid.:65). Formal institutional arrangements may also provide material and intellectual resources and render actors capable of pursuing strategies and following on new opportunities, leading to an increased probability of domestic change.

Börzel and Risse present two strands of new institutionalism as the conceptual lens approaches through which the study of Europeanisation is made possible, namely sociological and rational choice institutionalism, that can been shown to complement each other in the empirical reality. Rational choice institutionalism sees actors as rational, goal-seeking, cost/benefit and preference driven and further suggests that European agency, perceived as a new opportunity structure, brings about a redistribution of resources leading to a process of differential empowerment of domestic actors; hence change comes forth as a consequence. Constructivist institutionalism emphasises a process of polity socialisation, communication, argumentation and collective learning on the domestic appropriateness of European innovation. In particular, its agency-centre variant lays emphasis on the high degree of cognitive or normative mismatch for such a process to start out domestically and the redefinition of interests and identities as an outcome of socialisation and learning. An example cited is the statist policy-making practice of Italian and Greek administration which has been challenged by the multi-level, co-operative governance practice advanced by the European Commission on the basis of regional policy and the Structural Funds. The processes of socialisation and learning are carried out by change agents or norm entrepreneurs, individuals or actor networks, such as epistemic communities and advocacy networks that, based on expert knowledge, strive to promote their shared values and beliefs, leading to new preference formation and identity change. The presence of these factors facilitating change significantly determines the nature and extent of the domestic impact of Europeanisation. Also, the existing political culture might favour or otherwise the associated processes of building consensus and the share of responsibility or cost. A consensus-oriented or consociational culture will better accommodate adaptational pressure, actors will avoid the exercise of veto and will share the responsibility and cost of new policy. An unsociational, pluralist, competitive or fragmented politico-administrative or governance culture will more often than not oppose change. These two strands of new institutionalism presented expect and converge to similar results in the cases of low and medium pressure for adaptation, irrespective of the presence of domestic mediating factors. Where the two perspectives diverge in their predictions is the case of high adaptational pressure, given facilitating factors. Rationalist institutionalism expects transformation hinging on the rearrangement of power and associated resources, whereas constructivism predicts a state of institutional inertia, unless an external

further challenges conceptual approaches in the study of European integration, notably integovernmentalism (see Börzel and Risse, 2003:62).

shock further mediates change, due to the time needed for novelty to diffuse domestically through socialisation. Lastly, Börzel and Risse emphasise a crucial point in understanding the domestic impact of the European Union in that Europeanisation yields a differential domestic impact in member states, in terms of mode or modality, causality, time and pace (ibid.:60, Börzel and Risse, 2000:6-7, Featherstone 2001: 5, 15-17, 336, Featherstone 2003:9-12, Radaelli, 2003:44). Indeed, few authors expect increasing convergence among member states in policies, politics or polities.

2. The Europeanisation of Greece

The Greek case generally suggests a highly 'top-down' process of change, a high degree of misfit and a gradual convergence between rhetorical endorsement of European integration discourse and practice and institutional internalisation in terms of norms, rules, regulations and policies. Ioakimidis (1996:34-35) describes this domestic context as constituted by a pro European, modernity espousing section of the Greek polity, geared up in endorsing and internalising European novelty, and another part, characterised as 'helleno-centric', wishing for continuity in rejecting, opposing or at best cautiously allowing for change. Examination of the years leading to the start of the timeframe examined here (1994) further reveal a problematic relation of Greece with the EU and the international system. Greece, an associate member country of the Community since 1961, suffered a dictatorial military regime between 1967 and 1974. The regime fell as there was severe deterioration in Cyprus with the Turkish military deployment in the northern part of the island that summer. The Greek application for EU membership was submitted in 1975, upon the restoration of democracy and the cease of armed conflict in Cuprus. The newly founded socialist party PASOK and the Greek Communist Party opposed the idea of membership for Greece and of further European integration. A favourite catchphrase of the epoch quoting, "the EEC and NATO, one and the same syndicate" ("*EOK kai NATO, to idio syndikato*") sums up the approach and basis of the larger part of the Greek Left. Debate on membership centred however on recent experiences of alleged intervention in domestic and national affairs and the division between East and West, rather than argumentation looking at the socio-economic characteristics across Greek territory and the possible impact of membership[3]. Greece then joined the (then EEC) EU in 1981 and that year was marked by what proved to be a durable *change de cours* in domestic politics. Greek socialists assumed power and firstly submitted a special aid memorandum based on the country's 'peculiar' socio-economic and geographical profile, only to find in later years that increased EU correlation and funding support would only render some of their policy goals possible and indeed keep up with membership further (Andrikopoulou, 197-200, Papageorgiou and Verney, 1992:144-145, Featherstone, 1996:4, Ioakimidis, 1996:43). PASOK's "3rd road to democratic socialism" as a domestic and foreign policy mix lead to alienation with Europe and deterioration of Greek competitiveness and the macro-economy. In the background, the application, pre-accession procedure and membership contributed to the stabilisation of democracy, the new republic and its institutions. Administrative adaptation was noted in efforts for the country to adequately manage with membership rights and obligations and later as various public administration tiers collaborated with European institutions and created links with counterpart organisations in other member states. PASOK's policy reorientation after 1985 in espousing the SEA and the Single Market programme only served to expose the degree of mismatch with European structures and the main areas that needed be addressed. These have been highlighted as the absence of

[3] A somewhat parallel approach underpinned the reception of the Greek application for membership in western Europe. European leaders were stressing the significance of the country for European culture and civilisation, whereas administration and people were largely unaware of the actual current social and economic conditions of the country (Pettifer, 1996:18).

planning for policy, the narrow legitimisation with and engagement of society in governance and the reform of the state, which by that time, given the history of conflict at the vicinity, ever-increasing public expenditure, the regulation of production since WWII and clientelism between state officials and the citizen, had evolved into an over-centralised entity, mainly located within the capital area, of gigantic proportions and reach (Ioakimidis, 1996:40-44, Alogoskoufis, 2000:141-142, Roccas and Padoa-Schioppa, 2001:52, 57-59). Economic stabilisation programmes were agreed in 1987 and later in 1991 by the conservative government. Apart from macro-economic measures these provisioned the reduction of the roles and size of the largely ineffective and inefficient public sector as part of the domestic economy. Both programmes were not seen through, adaptation however advanced on the other fronts. Stable democratic governance was indisputably attained by 1989-1990 as the exchange of office between the two main parties and an interim period marked by the participation of the Communists in central governance substantiate. EU regional policy prompted change as Greece had to provide for the subnational administrative apparatus needed for IMP implementation and a regional delimitation was in place in 1986. In total, the ten year period leading to the 2nd EU regional policy programming period (1994-1999) provides evidence of a shift from rhetorical to structural internalisation of policy outlook, objectives and instruments. After 1994, the Greek socialists term of office is characterised by a different mindset to the one of the 1980s. Especially after the deterioration of Papandreou's health and the rise of Simitis at the top of PASOK's partisan hierarchy by early 1996, the attainment of the Maastricht criteria and EMU participation gradually, yet emphatically, became an aim of national strategic importance and a beacon for all policy-making[4], with the realisation that the country's future marginalisation in Europe was at stake (Pagoulatos, 2001:192, 199-200, Ioakimidis, 2001:81).

Ioakimidis argues that, between 1994 and 1999, Europeanisation has been evident in the further liberalisation of the Greek economy, mainly through the descent of the economic role of the state by means of disbanding a plethora of regulations hindering competition, the liberalisation of the banking system with the divestment of state-owned financial organisations, foreign investment, the incorporation of EU legislation safeguarding transparency and the unimpeded operation of markets through the regulation and promotion of competition. Moreover, with regard to state governance functions, the case of Greece is suggestive of a bi-directional competence flow as a consequence of further integration and EU membership. If membership primarily entails the transfer of jurisdiction at EU level, there can be an opposite process of downward flow where new competence is endowed to a member state not having developed such legislation. EU membership has enabled Greece in particular to address earlier policy inconsistencies and develop six new government policy domains (Ioakimidis, 2001:83-84). These are regional policy, environmental, professional development and training, research and technology, consumer protection and cross-border (linked to the re-orientation of Greek foreign policy in the latter half of the 1990s[5]) co-operation policies. Furthermore, the independence of the Bank of Greece, a prerequisite for any country wishing to join the single currency, is quoted as the most eminent example of break-up with statism in the Hellenic institutional realm. Pagoulatos (2001: 203-204) also notes the importance of capital market growth up to 1999 in cultivating a collective popular stake in and support for the improvement of the macro-economy. Further, in the context of the Hellenic CSFII implementation, new

[4] See for example the prime minister's parliamentary defence speech of the 1997 yearly budget (Simitis, 2002:89-104)

[5] Walldén offers an incisive analysis of cross-border activity between Greece and the Balkan neighbours of the country in the 1990s (Walldén, 2000:439-443).

operational units of special remit were created to take on specific tasks[6], evidence of further improvement in managerial and operational independence and expertise on behalf of the public sector (Ioakimidis, 2001:88, Simitis, 2002:36). With regard to regional or cohesion policy, the programming logic and co-operative outlook needed on behalf of both central national and subnational officials and the multi-dimensional character of regional programming posed further challenges to the Greek public administration and provided further ground for change. Ioakimidis (2001:84-86) goes as far as to claim that structural policy "…has generated the dynamics and conditions for introducing a systematic policy of regional decentralisation and reinforcing the powers and autonomy of the regions.", "…have compelled the Greek state and the governing political elites to cede considerable chunks of power, resources and autonomy to the regions…" and that "…[regional development] programmes evolved into the most important instruments for the economic invigoration of the regions, thus contributing immensely to the implementation of decentralisation and regional autonomy" (bracketed words inserted here). Another prominent feature is a reported process of social evolution. Numerous social associations, such as non-governmental organisations and interest representation groupings have recently been noted in Greece, challenging earlier topical reports[7] of a weak and fragmented civil society. National policy-making process began to offer a participatory podium to society, as major pressure groups and socio-economic associations, such as the Union of Greek Industrialists (*SEV*), the General Labour Confederation of Greece (*GSEE*) and the 1994-founded Greek Economic and Social Committee were frequently invited to come up with formed opinion on policy issues and more often than not started producing their own, regular, policy review and recommendations documentation (Ioakimidis, 2001:88-89, Economic and Social Committee of Greece, 2001). In this period under study, Greek economy and policy-making has been reported as not at odds anymore but in step and tune with the Single European Market and the global economy (Ioakimidis 2001:78, 82, 88, Simitis, 1995:67-70, Simitis, 2002:163-168).

3. The Research Design

The analysis by Ioakimidis (2001) of the 1994-1999 period suggests a unambiguous re-delimitation of the boundaries and reach of the state and a sizeable temporal, modal and causal compromise of statism in Greece. In evaluating whether such a proposition may or not hold at the regional level, one needs to examine the most inclusive form of European policy implemented in the region. That is the ROP as part of CSFII, where regional actors formally engage in policy[8]. Secondly, a review of that analysis may well show prior to any empirical considerations that this compromise has mainly taken place within the Greek capital area, leaving the regional case under study largely unaffected. The alleged re-organisation of the Greek socio-economic context firstly entailed (a) a redefinition of the regulatory regime in the domestic economy. In the first instance, such change can be claimed to be tangible nationwide, however it arguably relates more with the industry and services sectors, especially as land reform started in 1999 remains to be concluded. Epirus is a predominantly agrarian regional economy, hence the effect of this change is judged as minor when compared to other more advanced regions of Greece and certainly with the capital area.

[6] The same contributor notes however that these improvements did not go hand-in-hand with the enhancement of operational efficiency in public administration. We shall return to this point in the context of researching regional policy implementation in chapters 3, 4 and 5.

[7] On aspects of Greek civil society and social capital endowments see Mossialos and Mitsos (2000:3-5, 16-17,) and the work by Paraskevopoulos (1998:136-140, 200:220-221).

[8] Sectoral nationwide CSF programmes are executed centrally and do not involve structured regional socio-economic representation and participation.

Secondly, (b) the re-organisation of state functions and institutional competencies can be again said to chiefly affect socio-economic realities in capital region of Attica, since the Hellenic Republic entails a minimum regional subnational apparatus. Concerning new fields of policy, this research further shows that, while new environmental legislation has been brought in inconsistently, professional development and training has been mostly introduced as part of regional policy and has not enjoyed the emphasis it would deserve as a development determinant. In particular, such regional projects were very few and unco-ordinated. Equally, there was limited programme action for networking and links between research, technology and production. While there has generally been progress on cross border co-operation, this has not yielded any substantial developmental contribution towards upgrading the profile of Epirus. With regard to (c) EU regional policy, territorial reorganisation of powers and change in the otherwise thin subnational institutional context, the reader will also need to be reminded of the limitations in implementation in earlier periods (Papageorgiou and Verney, 1992:140-141, 145-146, Nanetti, 1996:77-81) and will shortly review the contribution of this research. Fourthly (d), an assessment will be made to the extent that the redefinition of state-society relations holds for this regional context. Finally, this paper offers no evidence on consumer protection policy.

The regional profile of Epirus is that of a mountainous region in the north-west of Greece, situated between the country's main mountain range, the Pindus, and the Ionian Sea on the west. The northern international border separates the region from northern Epirus, which is Albanian territory and has a large Greek-speaking population. Epirus is characterised as an *enclave periphery* (Rokkan and Urwin, 1983:61-65) in that, apart from the general lack of infrastructure and the sea border with the Italian regions of Puglia and Calabria, it also orders the regions of Western Macedonia and Continental Greece that are equally underdeveloped. In the period 1983-1995 Epirus had been identified as the poorest region in the EU, ranking at the bottom of the respective GDP per capital league table (Bache, 1998:117). The largest town is Ioannina and the other urban centres are Arta and Preveza. Of the total area of Epirus 77% is mountainous, 13% semi-mountainous and only 10% lowland and fit for cultivation; 23% of the region is covered by forests. Thanks to abundant rainfall and snowfall throughout the year the region has large rivers, its climate is mainly continental or mild Mediterranean in the plains and coastline. The economic backwardness of the region and the substantial migration[9] to urban centres is attributed to this land profile. Communications are very problematic with no rail and inadequate road network. Development efforts have been based on the air connections of Ioannina airport and the international sea routes between the port of Igoumenitsa and Italy, which acquired additional importance in the 1990s due to the Balkan conflict. The main economic activity has been agriculture (42% of employment) with the secondary (craft industries, silversmiths, weavers, traditional furniture etc.) and tertiary sectors absorbing 20% and 38% of employment respectively (European Union, 1993:296-299). The region has had a weakly woven socio-economic infrastructure, whose density is linked to the perceived inattention to the region on behalf of the centre and the regional actor participation in the central governance system at the start and end of the period under study (table 3.1 overleaf).

Our research aimed at recording the main issues relevant to programme management within the administrational context of 1994-2002 and to capture the main outcomes of the ROP implementation process related to governance and institutional performance. Interviews have been held with members of the Epirus regional programme Monitoring Committee.

[9] In 1991 the population of the region was roughly the same as in 1951 (European Union, 1995).

1993	Parliament	Cabinet
Epirus	12	2 ministers
Total	300	44

2002	Parliament	Cabinet
Epirus	12	1 deputy minister
Total	300	49

Table 3.1[10]: Regional Actor Participation in Central Government 1993 - 2003

This committee sat twice a year to carry out the tasks of examining progress of programme implementation against ROP objectives, review compliance with regulations and complementarity with other Community policies, co-ordinate support, publicity and technical assistance measures and report to the CSF Monitoring Committee (European Commission, 1994:114-115). The Committee comprised regional socio-economic groups representatives, 2nd and 3rd local government tier representatives (the four prefects and representatives of the four unions of municipalities and communities), Hellenic ministerial and European Commission executives along with the management and evaluation consultants. The Region General Secretaries chaired the committee with the aid of the co-ordinator of the ROP regional secretariat (until April 2000 where the ROP Managing Authority took over programme implementation and closure in 2002).

[10]This table has been compiled by the author by recourse to data in the web site of the Hellenic Ministerial Council Secretariat, www.ggys.gr (http://www.ggys.gr/goverments.php?ord=num, accessed 02/02/05 and 03/02/2005).

Group	Respondents (#)	
	Actual	Maximum
Prefecturers (or Prefects)	4 (Four)	5 (five)
Local Union of Municipalities and Communities Representatives	7 (Seven)	7 (Seven)
General Secretaries of the Region of Epirus	2 (Two)	3 (Three)
General Secretariat of the ROP (1995-2000) MA executives (2001-2002)	4 (Four) 9 (Nine)	4 (Four) 9 (Nine)
Socio-Economic Institutions Representatives	4 (Four)	6 (six)
Ministerial Executives (central government)	4 (Four)	5 (five)
European Commission Executives	2 (Two)	3 (Three)
Consultants	2 (Two)	2 (Two)

Table 3.2: Numbers of Respondents per Group, ROPII Epirus

Between 1994 and 2002, sixty three (63) individuals came to be appointed as members of the monitoring committee. When asked, thirty five (35) declared that they had regular attendance of more than four consecutive sessions in the period 1995-2001 and thus having a minimum longitudinal experience with the programme. Twenty nine (29) regular monitoring committee members and nine (9) MA executives were interviewed. The table above (table 3.2) depicts the number of respondents belonging to each respondent group. The responses of these thirty seven[11] (37) interviewees are discussed henceforth. Secondly, a presentation of the quantitative data of ROP2 Epirus is given, based on an analysis of aggregate project tables, the Collective Decisions on Prefectural Projects CSF2 (CDPP2 or *SANA2*) table for each of the four prefectures, the Collective Decisions on Regional Projects CSF2 (CDRP2 or *SAEP2*) tables and the Collective Decisions on Projects by Ministries (CDPM-2 or *SAEY2*) for the region.

4. The Epirus Regional Operational Programme 1994-1999/2002

The most frequently reported difficulty associated with the execution of the programme, that of consistent delays in implementation, observed by 28 respondents, does not leave much room for debate on the relevance to this regional context of alleged improvements in the state structure and institutions. The weakness reported by the Hellenic public sector, central administration–ministries and agencies, to respond to or deliver within any deadlines set and at a certain level of quality standard with regard to its output or contribution within the wider context of programme administration, has been reported as the primary cause by the majority in all respondent groups. One particular example given in the context of the Epirus ROP have been the efforts by ROP General Secretariat executives to furnish the agroalimentary enterprise of the area with quality standardisation and protected name of origin processes. There was no legal framework in place and, "in the jointly responsible ministries, there was complete ignorance on such issues and ample unwillingness to discuss them". The next in importance cause for delays have been conflicts with Greek legislation; all respondent groups suggest that the legislative framework of implementation has been inadequate from the start and local actors and services were not at familiar with processes and procedures of public tenders, project work, auditing and licencing. A limited number notes reform and adjustment efforts in the course of the programme. Also, programme documentation has been rather inadequate, "*due to poor recruitment of prefectures and local government structures*", one of the universally accepted truths and seen as an antecedent condition in this study. Respondents showed concern for discrepancies noted between what was planned as programme actions and what was finally delivered. The main reasons mentioned again point to the Hellenic public sector weaknesses ("bureaucracy" and slow responsiveness to resolution of issues) in acting as a catalyst to the local development process, inconsistencies with Greek legislation along with their comments about the aims of the programme being unclear and the programme lacking coherence. Furthermore, about half the respondents refer to environmental policy issues, again attributed to the public sector limitations and problematic legislation, while very few and disassociated responses relate to the promotion of equal opportunities policy as part of the programme. With regard to the effectiveness of regional policy *per se*, research has looked at the extent that the programme has actually covered the needs of the region as put together with the composition of the programme. Respondents were asked to submit their aggregate reflection on the advance of each of the programme objectives during programme lifecycle, based on their life experience in the region and using the decimal scale 0.10 to 1.00 with the following degree set of qualitative response granularity: {0.00: not at all, 0.25: barely, 0.40: some impact noted, 0.70: largely, 1.00: fully}. Table 4.1 depicts the response mean, variance and the response quotient (how many respondents felt capable of submitting a response) for every objective. This table enables one to draw a set of conclusions about ROP efficacy.

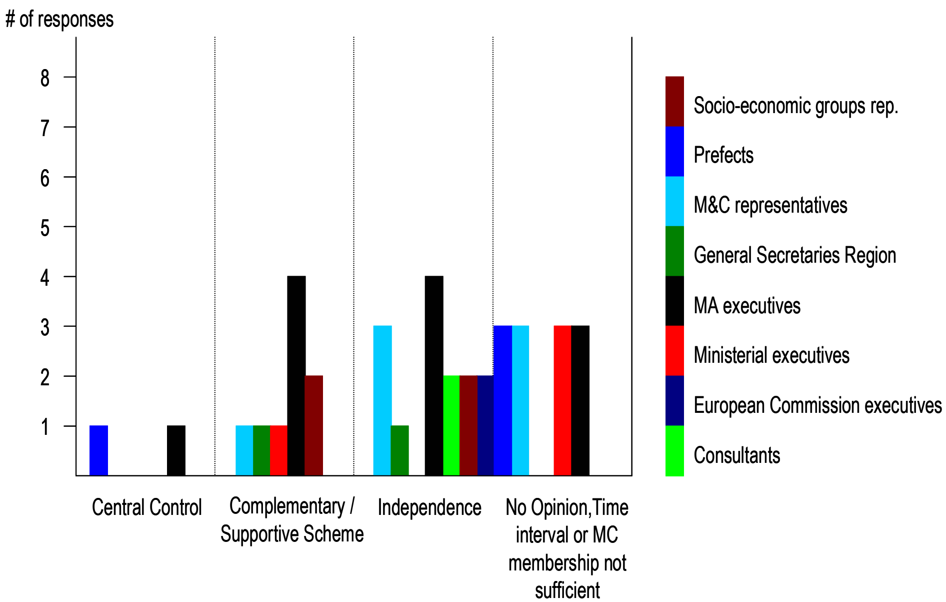
[11] The total number of respondents is thirty eight minus one, since one MA employee had served in the ROP General Secretariat before April 2000 (actual date of appointment in the MA: March 2001).

Programme Objective		Response		
		Mean	Variance	Quotient
a.	Infrastructure improvement towards intra- and interregional connections development	0.78	0.06	37/33
b.	Improvement of health services and environmental protection	0.74	0.08	37/33
c.	Enhancement of agricultural products and services competitiveness	0.52	0.12	37/31
d.	Actions in mountainous areas for preserving the population and developing local products, thus allowing for the enrichment of economic activity	0.49	0.11	37/30
e.	Linking the economy of Epirus with neighbouring economies in Greece and the Balkans (Albania), introduction of new technology and innovation and of links between research and production	0.40	0.09	37/28
f.	Continuous professional training of the workforce, mainly in modern production techniques	0.41	0.08	37/30

Table 4.1: ROP Policy Effectiveness - Aggregate Results

It transpires that objectives or aims (a) and (b) on transport and service infrastructure were given most attention. Response variance and quotient are low for these, hence a large number of respondents felt that these aims have been advanced to a satisfying degree. Objectives (c) and (d), relating to the part of the programme designed to address the prominent sector of the economy of Epirus (agriculture) and actions needed in rural areas, receive a mixed and critical reaction, as implied by the numeric data. The last two objectives, having to do with the extraversion of the region and other developmental determinants are seen as advanced in an inadequate and fragmented manner, as implied by the mean, the relatively higher variance and response quotients. The unfavourable conditions to the north of the region, as Albania has been presenting one of the most calamitous socio-economic environments in the Balkans, and the inconsistent introduction of vocational training policy relate to the scores of objectives (e) and (f). Comments to these responses point to the magnitude of the ROP budget, considered rather undersized compared to the needs of the region as understood by some respondents.

Our research has also examined the transition from the regional policy management structure in place until the year 2000 to the one established for CSF III, namely the termination of the programme General Secretariat overseen by the MOU and the introduction of and entrusting of programme implementation to the regionally based Special Management Services (renamed to Managing Authorities in 2002), overseen by the CSF Managing Authority, a team within the Ministry of the Economy and Finance. Inquiring whether the SMS/MA operates better as an independent service or one under central administrative control, respondents emphasise bureaucracy as an issue, claiming however that the new regime presents itself as a more efficient scheme. About half, among them the consultants and European Commission executives, point to the direction of independence, stating that the MA should be supervised by the Regional General Secretary, or generally that more responsibilities up to full functional/hierarchical independence should be awarded. The need for employing personnel with development policy and public sector working experience for these public bodies, since "they are directly accountable to the choices of the local community" has been stressed. Most MA and central ministries executives point to an organic link between the MA and central administration, where either the MOU or the CSF team can have a co-ordinate or supportive role in technical, material and human resources, whilst the MA is allowed to mature in operational capability. Graph 4.1 below depicts the variation of these results.



Graph 4.1: Preferred Institutional Framework for the MA

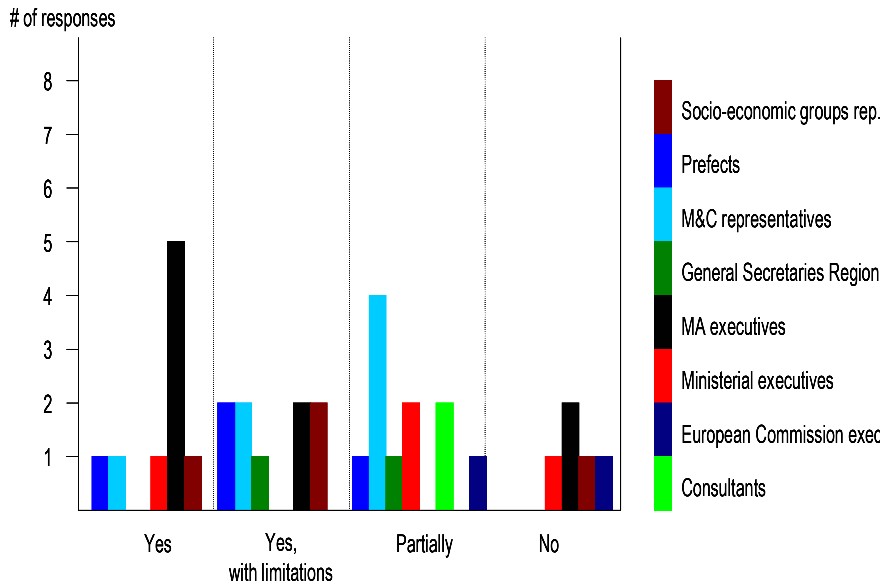
The extent and attributes of the territorial balance of power reorganisation in the Greek politico-administrative system is reflected in the respondent comments about the impact of the programme on centre-periphery relations. Impact is first of all judged as positive due programme goals and aims met to a certain extent, "a serious mechanism of implementation, inspection and co-ordination of project delivery was developed…" locally, available credits were absorbed and that, through the realisation of the partnership principle, the region gained stature within the Greek governance system. The ROP contributed to the establishment of dialogue between centre and periphery and through the ROP the region acquired a programming and planning mentality. Nevertheless, decentralisation was not essentially achieved and the region's competences in programme management were not catered for in the framework of the ROP. Intra-regional friction between the Region and local authorities and politicisation of implementation are also noted, as the Regional General Secretary appointed by central government in the ROP midterm rather forcefully accelerated programme implementation and allegedly steered the whole process towards political gains. When asked about the party that prevailed in disagreement, the majority of respondents point to the Region and /or central government, with the opinion of the MEF enjoying utmost prevalence. Only three respondents note a climate of common ground, while others note that "the immediate next level of governance" had the upper hand, "the one having the political power", or "depending of the balance of power each time but in general the Ministry's point of view overpowered the others". Responses of the two General Secretaries of the Region of Epirus, as well as those of the central ministries executives are more articulate in this matter. "The ROP confirmed the need for *rapprochement* between centre and periphery for Epirus, simultaneously uncovered the region's disadvantage and that in the end there was no liberalisation from 'the Greek (negative) confidence syndrome'". Doubts are expressed whether the Greek CSF II in total was a success for Epirus. Ministries executives note that a spirit of co-operation was noted between the local and central levels' public service personnel. Nevertheless, "Epirus was not set in the first priority group", or "the centre tried to bring about extroversion", but "the Region of Epirus failed to do so"[12]. Further, MA executives provide a substantiated middle ground for the above, in that they note the improvement of infrastructure, the promotion of decentralisation against the Region's exercised authority and links to central government and that the ROP has been of lesser magnitude compared to the needs of the Region which have since earlier times been very great. On aggregate, while the region has gained in governance and socio-economic competence as a result of CSF II ROP implementation, these remained limited given the management approach by central government and the effect and contribution of the programme towards socio-economic development of the region. It is in the C-P front however that positive attributes with regard to programme implementation are reported. These are programme completion and its fund absorption that reached 114%, very good communications and collaboration among management and evaluation consultants, European Commission executives and the rest of the members of the monitoring committee. Some respondents also suggest that in the end a good climate of co-operation prevailed intraregionally and among the Region, Prefectures, Municipalities and Communities (a comment rather equally weighted among respondent groups).

The provision of EU regional policy for the participation of local socio-economic organisations in programme implementation was further challenged by domestic context specificities. During the CSFII ROP in Epirus it transpires that participation on behalf of local groups and associations was indeed noted, albeit to a limited degree. Proposals were in principle taken into account and accommodated to an extent, however this accommodation did not necessarily lead to synthesis during programme composition and implementation. Socio-economic organisations in turn are referred to as possessing little knowledge about the state of development of region and country and documenting their proposals inadequately; opinions coming in particular from small communities and secondary professional associations (e.g. the Union of Hotel Owners) "were completely ignored". Furthermore, ministerial executives are rather united in mentioning that socio-economic groups were given the podium and listened to, but "their priorities were not in line with those of the ROP as planned". Respondents note that despite monitoring committee membership had been guaranteed according to CSF regulations, there were instances of individual decisions taken by civil servants at central government and at the Region and still many needs were left unrecorded or unaddressed. Moreover, despite the emphasis on infrastructure (see further), the ROP included actions on business, innovation etc. and socio-economic groups are reported as completely absent from those parts of the programme. Socio-economic organizations representatives themselves say that only those suggestions satisfactorily documented were indeed taken into account, but after two or three sessions organisations were not present anymore due to their (unconfessed but otherwise well-known[13]) inability in knowledge and technical resource to partake in discussions on equal standing. A manifestation of their discontinuous participation in the MC was evident when asked to participate in our research and reporting that between 1994-1999 five or six different people were appointed as representatives; many of them did not feel capable of an interview about the ROP[14].

[12] Although the Ministry of the Environment, Physical Planning and Public Works had two seats in the Epirus monitoring committee, no ministerial member of staff was ever appointed as a committee representative.

[13] No evidence has been found that socio-economic institutions (local government, professional associations or unions etc.) received training in any form so that they would be better equipped to fulfil their new role in local regional policy.

[14] A good example is the Technical Chamber of Greece – Epirus Section. The former and current chairmen had to sit down together and prepare the questionnaire-interview schedule, as they both served as regular members in the committee, but each felt that their own experience was rather inadequate.



Graph 4.2: Socio-Economic Groups Accommodation: Response Variance

Graph 4.2 above depicts this variation of responses[15]. The most recognizable socio-economic partner in the Epirus ROP II, both in terms of monitoring committee and programme participation (contractor or consultant) has been the University of Ioannina. The Chamber of Commerce and Industry and the Greek Economic and Technical Chambers – Epirus Sections then follow. Other bodies have been the Educational Institute of Technology (TEI) of Epirus and the Workers' Centres. There are also sporadic references to organisations that are not formally included in the monitoring committee, such as farmers' unions and the olive oil producers' association, ecology groups, the *Rom* union, various central government (General Secretariat of Research and Technology), as well as other organisations outside Epirus, in Central Macedonia (Federation of Industries of Northern Greece, Aristotle University) or Western Greece (the BIC of Patras). Respondents also suggest that participating institutions and contractor companies have mainly been organisations based in Epirus and note that publicity has been generally good both in the capital and within the region, suggesting an ample regional dimension in programme implementation.

Once quantitative data obtained by the MA IIS were verified with the programme management consultant, a simple categorization of projects was done based on each project first order effect or outcome in the local economy, centering on two key principles. Firstly geographical categorization of projects in tables supplied to us was taken only as indicative and a new geographic categorization was provided, purely based on geographical project scope, prefectural or regional. The second principle relates to the outcome of a project in terms of direct, new and invariant (not seasonal) employment generation. Projects were categorised in terms of their (i) entailing purely infrastructure, (ii) being of infrastructure leading directly to new and invariant (not seasonal) employment generation and (iii) not related to infrastructure (other determinants of development)[16]. In the infrastructure "**In**" category, projects that relate purely to infrastructure (new or extensions/improvements of roads, bridges, ports, dams, reforestation, natural resources preservation etc.) are included. In category "**IE**" all programme actions that entailed infrastructure build and lead to invariant

[15] Here, the many "Yes" occurrences on behalf of MA executives rather reflect the difference in expectations of what accommodation of local organizations constitutes in the ROP framework. Only four MA executives, under the capacity of employees of the ROP General Secretariat, participated in monitoring committee sessions. Their responses are divided in that two answer negatively to this question while the other two note that there was participation of these groups.

[16] This judgement has been based on standard engineering project management knowledge. In cases of difficulty, project content was verified with either the MA or the management consultant

(not seasonal) employment generation are grouped (new or extensions of schools, hospitals, biological sanitation, snowfall management stations, public-private tourism facilities etc.) [17]. Lastly, in category "**O**" ("other") projects that did not involve infrastructure and focused on other developmental determinants, in particularly promoting major socio-economic characteristics (local production base, forms of tourism, handicraft industries) of the region, were classified: livestock and local product improvement, standardisation, public-private partnerships, new institutions, professional training, social inclusion, all actions specific to the promotion of culture (subgrouped within category **Oc**, athletic centres, historic bridges, churches, monasteries refurbishment etc.) and any actions specifically and directly leading to innovation and networking[18]. The tables that follow correspond to projects financed through prefectural funds, the regional and central ministry funds and reveal a number of important features of programme implementation. First, emphatic concentration of funding is evident in the "**In**" category irrespective of governance tier financing. Infrastructure projects amount to 253, 1 and 355 funded by the prefectures, the regional fund and central ministries respectively. Table 4.4 also implies that central administration funded the better part of innovative projects focusing on other developmental determinants. In total, infrastructure projects totalling 609 amount to 73% of all programme implementation. Infrastructure works leading to new employment sum up to 109 projects (13% of all), whilst 120 non-infrastructure programme actions have been classified accordingly as 14% of programme implementation and chiefly relating to the promotion of local culture and socio-economic potential. Little was hence done in the ROP framework to lay emphasis on other developmental determinants for the region, such as the enhancement of entrepreneurial and public sector/local government competitiveness by encouraging innovation, research, education and networking.

Category / ***Prefecture***	**In** (infrastructure works - new/ext./impr.)	**IE** (infrastructure leading to new employment)	**O** (other)
Arta	47	10	2 (2 Oc)
Ioannina	89	20	7 (6 Oc)
Preveza	50	15	4 (2 Oc)
Thesprotia	67	10	1 (1 Oc)
Total	**253**	**55**	**14 (11 Oc)**

Table 4.2: Prefectural Fund Projects Categorisation per Prefecture

Secondly, the Epirotic Regional Fund has financed a mere one project during the 8-year programme lifecycle. This fund was only created only as late as 1999 and is further evidence of the unwillingness of central administration to proceed with institutional innovation locally. The majority of projects, as evident by the population of table 4.4, have been funded by central ministries. Furthermore, what also transpires from the project tables as given to us is that state services and organizations enjoy the lion's share of implementation of the regional operational programme, while the private sector comes out as having a essentially fragmented and limited participation. Programme project beneficiaries particularly, the entities that receive funding

[17] Here the assumption is that for every new building constructed, institution established or machinery bought, there are the corresponding, directly generated, new employment positions to be filled.

[18] Any such actions involving infrastructure build were still classified under "O" (e.g. the new facility for KEPAVI, the Centre for Traditional Handicraft Industries in Ioannina).

and are responsible for project implementation are invariably public entities, whilst private organizations are observed mainly as contractors.

Category / *Prefecture*	I (infrastructure works - new/ext./impr.)	IE (infrastructure leading to new employment)	O (other)
Arta	1	0	0
Ioannina	0	0	0
Thesprotia	0	0	0
Preveza	0	0	0
Total	**1**	**0**	**0**

Table 4.3: Regional Fund Projects Categorisation by Prefecture

Category / *Prefecture*	I (infrastructure works - new/ext./impr.)	IE (infrastructure leading to new employment)	O (other)	of which Culture and ROP( )
Arta	83	12	18	8
Ioannina	115	18	31	16
Preveza	73	12	16	4
Thesprotia	74	11	14	3
Regional	9	1	26	0 (23)
Unaccounted for	1	0	1	0
Total	**355**	**54**	**106**	**31 (23)**

Table 4.4: Centrally Funded Projects Categorisation by Prefecture

5. Conclusions

Our evidence suggests that the regional case of Epirus largely negates claims advanced that Greece has shown significant adaptation to European practice during the country's course towards EMU in the years 1994-2000. Firstly, it has been shown that the reforms introduced in reaching this national objective for Greece have first and foremost touched on the socio-economic realities of the capital area and have been to a large extent irrelevant or not applicable in the region under study. The limitations of the most inclusive and relevant incidence of European policy in the region, the Regional Operational Programme and its implementation in Epirus were then discussed. Our research has shown that the unwillingness of the Hellenic public sector to promote regional development within the structured framework of the Structural Funds, let alone the inability to adequately furnish the local development process, has curtailed the regional fortunes of Epirus. Concurrently, regional actor participation in Hellenic central governance has decreased. Taken together, these underscore the centripetal nature of the politico-administrative structure and, quite possibly, its premacy over subnational governance. After two periods of European regional policy, namely the IMPs and CSFI, the partnership principle still did not fully materialise and elements of institutional innovation, such as the creation of the regional fund, where held back by central government. The programme itself has heavily focused on transport and service infrastructure. Actions relating to agriculture and the rural economy are not thought of having a definite sizeable impact. Initiatives towards innovation and networking within the region and with neighbouring regional economies have not (and perhaps could not) have advanced to an agreeable extent. Hence, the great needs in infrastructure of the region may largely have been met, however few efforts that were noted towards bringing the regional profile and state of development forward remained intermittent and of rather low impact and participation. Lastly, the fact that regional public entities have been the ones that principally benefited from the programme raises considerable concern about a renewed role of the state in the context of the *regional* economy and the exact relation of EU regional policy, as conceived and implemented thus far, with economic liberalisation.

The other central agent or apex involved in MLG, notably the European Commission, has had an equally problematic performance. Despite intentions of the organisation to press for the enhancement of partnership and better implementation during the 2nd programming period (Marks, 1993:397), a lack of high level programme management becomes apparent as the Commission, during the six-year period 1994-1999 did not seek to address programme weaknesses. There was no provision for training or scientific resource provision so that local socio-economic groups could respond to their role in a more inclusive manner, while the ROP itself was left to subside to a mere construction programme rather than an integrated development effort. In a time of renewed scientific interest in what drives development in the regional context with the emergence of the new economic geography literature in the mid-1990s, this is judged as a significant shortcoming. Marks (1993:397) discusses the fact that DG 16 (now DG REGIO) has been understaffed for the period, employing 500 managers for the management of 200 programmes and a budget of ECU 6 billion (also in Goldsmith, 2003:121). In their evaluation of the EU regional policy, Bachtler and Turok (1999) note that the European Commission has indeed found it difficult to operate such an extensive policy framework across much of European Union territory with a relatively limited number of professional staff. There have been instances however where the Commission has tried to bring about greater dynamism and innovation in the development process, avoid policy routine and help shape programme content, whilst in some regions it specifically demanded that support for roads or other basic infrastructure be reduced in importance (Bachtler and Turok, 1999:352-354, also in Bachtler and Turok, 1999:11). There is no evidence that such initiative has taken place in the case of Epirus.

Regional policy has generally induced a degree of formal regionalisation in Greece, judged as limited when compared to similar processes in other European partners of the country, and further provided stimuli for Europeanisation and related change across Greek territory, after having joined the Communities in 1981 as the most centralised member state of all (Ioakimidis, 2001:78). Our evidence however comes nearer to other reports that the country has shown poor or very poor adaptation to European structures (notably Leonardi and Paraskevopoulos, 2004:343-344, 346). The mediating factor for change has been present as political elites united before EMU and undeniably Greece has come closer to its European partners by following a path of economic liberalisation and finally joining the single currency. However, the limitations discussed here can only characterise the impact of Europeanisation in this regional context as problematic accommodation; if extended, the result of Greece’s Europeanisation in the 1990s can only be termed as absorption at best.

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DETERMINANTS OF TRANSPOSITION DELAY IN THE EUROPEAN UNION. – Greece, Germany, Spain, the UK and the Netherlands

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Abstract:
The newly gathered data set representing the full population of the EU transport acquis and the national transposition instruments derived from CELEX and national transposition data bases for Germany, Greece, the UK, Spain and the Netherlands respectively, demonstrates that only 39% of the transport acquis was transposed in time. The average transposition time was at least 32 weeks (8 months) too late, varying between just a couple of days to 333 weeks (6.5 years) varying significantly between member states. Drawing from existing literature this paper tested and controlled quantitatively for three sets of variables explaining why member states do not transpose EU directives in time. The data set confirms existing scholarly results, but also offers new findings. The logistic models indicate that the level of detail of EU directives, i.e. the number of recitals of directives used as a second kind of law-making slows down the transposition process as well as national legal instruments that include a lot of de facto actors. Furthermore, the shorter the transposition time set in the directive, the more delayed the transposition process.

INTRODUCTION:

Lately, most of the member states are seriously concerned about the increased transposition deficit in the European Union – its causes and consequences. Whereas, the French Prime Minister Raffarin (2004) declared transposition to be high on the political agenda in order to catch up with France's backlog, the Bellis report (2003) on improving implementation of EU legislation in the United Kingdom and the German federal government committee (*Kommission von Bundestag und Bundesrat zur Modernisierung der bundesstaatlichen Ordnung*) discussing the reform of the German federal legal system, including issues relating to speeding up the processes relating to implementation of EC directives, as well as rendering the negotiations in Brussels more effective caused a lot of noise. Even better performing member states like Sweden have reconsidered their coordination system and have moved the EU Co-ordination Secretariat from the Ministry of Foreign Affairs to the Prime Minister's Office to improve their transposition records. Why?

As recognized in the recent report by Wim Kok, progress in building a dynamic and inclusive Europe at both a national and European level has been too slow. GDP per head for the EU as a whole is still only around 70% of that in the US (the same level as 30 years ago). Overall employment rates are lower here than in the US. To this we can add to two factors – global competition and an ageing population – which are more apparent today than five years ago when Lisbon was launched. To boost the performance of the EU economy, the Commission calls for sound economic foundations and structural reforms that 'can open markets and deliver stronger productivity growth, lift R&D, foster innovation and investment, raise employment, reduce regional inequality, lower poverty and curb environmental damage' (Barroso, 2005).

Effective timely and correct transposition of internal market legislation is more important than ever. 90 days transposition delay thirty years ago caused less problems than in a ever-faster world. Therefore, effective transposition is the first action point that falls under the Lisbon action plan incorporating EU Lisbon programme and recommendations for actions to member states for inclusion in their national Lisbon programmes (COM, 2005). Non-transposition are costs, costs for member states and the EU respectively that hamper to boost the performance of the EU economy because of lagging structural reform. Late and incorrect transposition and application of Internal Market legislation causes legal uncertainty, undermines the confidence of citizens and business in the exercise of their rights and undermines the day-to-day working of the Internal Market. Why do member states, however, lag behind transposing Internal Market directives?

According to Articles 10 and 249 EC transposition of EU legislation is compulsory. This obligation entails, on the one hand, the member states to transpose a directive in *time*, as well as, on the other hand, in line with the *contents* of the original directive and rulings by the European Court of Justice (ECJ). Timely transposition is a necessary condition for full compliance with EU legislation and will be the focus of this paper.

With regard to transposition, directives are of particular interest. They are not directly applicable at the national level, but have to be incorporated into national law first. Therefore, the focus of this paper lies on the transposition of European directives.

Following previous scholars' efforts in compiling reliable data on non-transposition in the EU in a remarkable way[1] , first, I review the rich scholarly discussion on implementation and transposition in the EU. Then, I present the new data set, which covers the full population of all EU transport directives from 1957 to 2004 and the national implementing instruments of five member states respectively and underline its value-added compared to already existing ones. Then, in a first step of analysis, this study demonstrates that the EU has a considerable transposition problem varying between member states and different modes of transport. To explain this transposition pattern, I intend to bring some order into a multitude of competing explanations and identify three categories of explanatory factors in Europeanization, implementation and compliance literature: test the European directive specific and the national implementing specific variables and control for the institutionalist variables from IR literature. In a second step of analysis, then, I run several logistic regression models and discuss their results which confirm, challenge and extent existing arguments in the literature. Finally, I conclude with some comments on the implications for future research.

REVIEW OF THE EMPIRICAL LITERATURE

A considerable part of the Europeanization literature deals with member states´ adaptation to EU policies, or more specifically the national transposition and implementation of EU legislation and the Commission's and European Court of Justice's role in understanding the impact of non-transposition (Mendrinou, 1996; Tallberg, 2002). In this context, scholars have turned their attention to the patterns of adjustment to European policies, and in particular to the national implementation of EU law.

This literature is a mixture of studies that offer potential theoretical explanations for the extent to which 'Europeanization' occurs (Scharpf, 1996; Dimitrova and Steunenberg, 2000; Börzel and Risse, 2003). Interestingly, qualitative research has been the dominant design to develop and test explanatory factors for the implementation deficit in member states and particular policy sectors. Some emphasis is found on empirical studies of environmental, social and transport policies (Héritier, 2001; Ostner and Lewis, 1995; Eichner, 1995; Knill and Lenschow, 1998; Knill and Lehmkuhl, 1999; Haverland, 1999; 2000; 2001; Falkner et al., 2004; forthcoming).

Quantitative research on the implementation of EU law, however, is still in its infancy. Börzel (2001) argues that we simply have no reliable data that can show us that the EU suffers from a serious compliance deficit which is claimed by the Commission and scholars alike. Relying on scoreboards published by the European Commission, Lampinen and Uusikyla (1998) show that critical mass opinion towards the EU did not have much to do with implementation behavior. On the other hand, member states traditionally labeled as corporatist succeed better than non-corporatist ones. They do not include Austria, Finland and Sweden, however, and only refer to the very unreliable data provided by Commission's scoreboards (see also Bergman, 2000).

Mbaye (2001) broadens the horizon by drawing systematically from the literature on compliance in IR, EU studies and American federalism. She demonstrates that variables from a broader set of literature are important in explaining compliance. Relying on infringement data from 1972 to 1993, she argues that cases of non-compliance in the EU rise with bargaining power in the Council, length of membership, and regional autonomy. Fewer cases are associated with rising bureaucratic efficiency. Unfortunately, however, Greece has dropped out of her analysis because the data on veto players for Greece are unavailable. Börzel et al. (mimeo) and Tallberg, 1999 have also collected data on infringement proceedings, which has resulted in large N data sets in order to come up with more reliable data on compliance. Sverdrup (2002) takes the Nordic countries as a focus and points at a 'Nordic model' of good compliance culture. However, these scholars want to focus on explaining infringements which implies a different empirical focus.

More recent work has moved away from the infringement data set. Mastenbroek (2003) came up with a new data base on non-transposition. She constructed a data base containing all EC directives enacted from 1995 to 1998 for the

Netherlands. For all 229 directives she consulted overviews by the Ministry of Foreign Affairs, a list of measures notified to the Commission by the Dutch government and a data base compiled by the TMC Asser Institute (Mastenbroek, 2003) to gather information on the Dutch transposing measures. She demonstrates that almost 60 per cent of the directives are transposed late. The most important factor here is the types of legal instruments used and the ministry that takes the lead in the Dutch transposition process. Moreover, EU decision-making procedure as well as the goodness of fit shows considerable explanatory power.

In the following, I will draw from her example by compiling a new data set on transposition deficit with Celex data and national transposition data bases and pay considerable attention to possible national and subsectoral biases.

EU 1957 – 2004 TRANSPORT TRANSPOSITION DATA SET:

Policy field selection:

It is difficult to analyze all European policy fields in which directives are issued in the context of the proposed study (see for example König, Luetgert and Mäder, mimeo). Since I focus on the timely transposition of directives, I will not consider areas in which the EU primarily issues regulations, such as in the field of cohesion policy and the common agricultural policy.

The policy area selected for the study was guided by three considerations: A classic way of distinguishing between policy types is in terms of regulatory, redistributive and distributive policies (Lowi, 1964). EU policies, normally, have a strong regulatory emphasis (Nugent, 2003: 324). Majone (1992; 1994; 1996) even argues that the EU can be throught of as being a regulatory state. First consideration, hence, does the policy area in question fit well into the dominant EU regulatory category? Secondly, is there sufficient empirical research available on the European policy process in this area to analyze the research question of interest here? And third, to be able to produce empirical regularities for research on transposition of EU directives and to apply quantitative techniques to analyze the delay of transposition, we need to have areas with a sufficiently large number of cases and sufficient variety between the cases. On the basis of these three criteria, transport has been selected within the category of market-making policy. Whilst the examination of this policy area does not attempt to cover the entire and extended range of European policies, and is not based on a representative sample of European policy measures, it does identify and stress those systematic aspects of policy considered to be heuristically significant for the current analysis and simultaneously offers insights into an important area of European policy-making.

The societal relevance of the transport sector for the EU has been already referred to earlier, but here some key points: An efficient and effective transport system is a key factor in the creation and operation of a common internal market in Europe and the ongoing development of transport policy is central to its success. Transport is one of the crucial enabling technologies for civilization. It plays a key role in people's everyday lives and is a major factor in economic competitiveness and employment. It contributes to social and territorial cohesion and by its very nature transport is fundamental to the achievement of freedom of movement across the EU which is a (if not the) primary objective of EU policy. [2]

Transport transposition data set:

This newly gathered transport transposition data set includes information on the *transposition deficit* for all 106 directives of the transport acquis from 1957 to 2004. It is *not* a sample but the population. Information on the directives are taken from the official legal database of the European Union - Celex (Communitatis Europeae Lex) which covers all Community legislation, preparatory acts, references to national implementing measures, case-law of the ECJ and parliamentary questions. [3]

Figure 1 shows that road and shipping directives count for almost two-third of the transport acquis, whereas air and rail represent 12% each, general framework directives 8% and inland waterway 4% respectively.

[Figure 1 about here]

Celex also proxies for the interaction between Community law and national law by providing publication references to Member States' national provisions enacting Community directives.

This study opted for five member states: Germany, Spain, the Netherlands, the UK and Greece. They were selected to cover most of the important dimensions of variation among the member states: large and small, founding members and non-founding members. Here institutional aspects of the political systems of the member states play a role, since they are part of the explanatory factors identified in the next section.

Almost 80% of all national implementing measures for Germany, Spain, the Netherlands, the UK and Greece have been reported in Celex. However, the official legal database of the European Union is not the only accessible source to report national implementing measures. Moreover, Schulz and König (2000) show that Celex is biased as to the period before 1984. I contacted each Transport Ministry in the five Member States and received a full list from their national transposition databases dating back to the very first directive of the transport acquis. I compared them with the information from Celex. Interestingly, 80% of the so often referred to 'unreliable' data matched with the national data. And in only 20% of the cases I added additional information on the national implementing instrument derived from the national data bases. There was no biased lack of information worth mentioning. Additional national information was added for all the modes of transport and each and every member state alike.

Taking the detailed information of the first national implementing measure [4] for each transport directive, this led to an average rate of completeness for all 516 national implementing [5] measures of 68% (340). However, there is cross-national variation. Whereas all member states score by far above 50%, the range between Greece (57%) and Spain (80%) is considerable. Greece and the UK score below 60%, whereas in the case of Germany only 24% of the data on national implementing measures is missing (Netherlands 33% respectively).[6]

IS THERE A TRANSPOSITION DEFICIT IN THE EU?

Focusing on the timeliness of the transposition process and asking whether Europe has a transposition problem or not this paper identifies a considerable transposition deficit. Figure 2 presents the delays in weeks for the 340 national implementing measures in the transport data set.

[Figure 2 about here]

A *negative* delay, as indicated on the horizontal axis of the figure, indicates that a national implementing instrument was adopted before the official deadline set by the Union. The figures show that only 39% of the transport directives (41 of 106 directives) were transposed in time and 61% were too late. The average transposition time in the transport sector was at least 32 weeks (8 months) too late. In addition, these delays vary between just a few days to up to 333 weeks (6.5 years). So the transport sector faces serious cases of non-compliance, where member states have refused to comply with EU laws for more than 6 years. This confirms Conant's (2002) findings, in which she uncovers significant variation between both member states and policy areas and delays of even more than 10 years.

The transport data set also reveals that transposition in the field of transport varies considerably between member states. Table 1 displays the national differences in transposition delays.

[Table 1 about here]

Whereas Spain has an average transposition delay of 10 weeks, Greece implementing instruments were on average 60 weeks delayed. Here, table 1 divides the five member states in three clusters with Spain and Germany performing best, having an average transposition delay of less than 20 weeks. UK and the Netherlands performance range around 30 weeks delay. Greece represents a group of its own performing worst among the five member states with an average transposition delay of 60 weeks.

The independent sample t-tests for the five member states indicate that the groups differ significantly in their average level of the dependent variable. Table 2 displays that Spain (2.5) and Greece (15) differ significantly from all other member states, whereas the means of Germany (4.5), the UK (7) and the Netherlands (8) seem to differ randomly.

[Table 2 about here]

Berlin, Madrid, London, Den Hague, Athens – Europe has a transposition problem. In order to address the Lisbon action plan incorporating the EU Lisbon programme, effective timely transposition of internal market legislation is, however, crucial. Why to member states still lag behind transposing EU law?

DETERMINANTS OF TRANSPOSITION DELAY

The study of the European Union stands ambiguously between the fields of International relations (IR) and comparative politics (CP). The EU stands as a unique institution, and therefore, trying to explain its features in terms of only comparativist or international relations theories does it an injustice. The institutional turn in EU studies has rendered EU studies more integral to the broader concerns of the discipline and has permitted EU studies to contribute in kind. The EU literature has gone farthest in erasing the boundaries between the fields of IR and CP. This erosion of disciplinary boundaries might be the most lasting contribution of EU studies to political science (Jupille and Caporaso, 1999: 441). Arguing that scholars need to consider both theories as interrelated in order to get a clearer picture of the transposition problematic (Hurrell and Menon, 1996), I draw from the literature on implementation and transposition processes and identifies two categories of variables while I control for a third set of variables derived from the compliance literature with EU law that explain how much time member states need to transpose transport directives: *EU directive specific variables, national implementing measure specific variables and institutional variables.*

EU DIRECTIVE SPECIFIC VARIABLES:

There is one explanatory category on the EU level that account for transposition delay: Characteristics of the European directive.

Characteristics of European directive:

Four features of the European directive could cause transposition delay: *the directive's level of detail*, *its nature,* the *deadline* set in the directive and the *decade* in which the directive was agreed upon.

Level of detail:

In principle directives should specify in the words of article 249 of the Treaty 'the result to be achieved' but leave 'to the national authorities the choice of form and methods'. The trend over the last decade has been for directives to become more detailed to the point where they could be regulations. Bellis (2003: 3-12) argues that because of the definitions, specified conditions and specified services were extremely detailed and obviously intended to be applicable in their own terms in all Member States.

Level of detail: The more detailed a directive is, the more likely its transposition process is to be delayed.

To test for the detail of a directive I take a closer look at three components: the *recitals* [5] of directives, the number of articles listed in the directive and the number of pages of the directive.

Recitals are so specific they have become almost a 'third kind of law-making' (Bellis, 2003: 13).They are meant to state the purpose of the directive and to describe each of the main provisions of the directive. They are sometimes used by the Member States to insert provisions which they have failed to get into the text and by the Commission to insert normative provisions which have not attracted agreement. Bellis (2003: 13) retells the story that a directive which had about 16 substantive articles but finished up with 64 recitals. In the transposition data set the number of articles that fall under the recitals varies between 1 (31980L0049) to 50 (32001L0014): (RECITALS). Next to the number of recitals, I counted the number of articles for each directive (ARTINUMB) and the number of pages of each directive (PAGNUMB).

New or modifying directive:

Hoppe and Otting (1998) argue that the character of the directives determines the speed of transposition. *Amendments* usually are technical in nature, whereas *new* directives introduce a new topic of legislation. Sometimes obligations arising from a directive are ambiguous which give rise to disputes between various actors with different interests like ministries, departments, civil servants.

Nature of directive: The transposition delay is greater for 'new' directives than for amendments.

Information on the character of the directives is extracted from the titles and texts of the directives that can be found in CELEX, the EU's legal database: (NEW).

Deadline

The time guaranteed for transposition by the directive could also have an effect on the speed of transposition. Highly detailed and complex directives, which are claimed to be transposed slowly (Ciavarini Azzi, 2000: 56) grant more time for transposition than fairly straightforward directives - particularly if decisions of a technical nature are decided in implementation committees after the directive has been agreed. Many costs can be minimized if sufficient time is allowed, e.g. changes to labeling requirements should allow sufficient time to use up existing stocks.

Deadline: The more time a member state has to transpose a directive, the less likely is a transposition delay.

This variable was calculated on the basis of the deadline set in the directive. Information is drawn from Celex: (TRANSWE1).

Decision-making procedure:

Since all transport legislation falls under QMV, the crux may lie in the decision-making procedures. Directives are enacted by the Council, the Council and the EP or the Commission. Mastenbroek (2003) argues that politically very sensitive issues are unlikely to be delegated to the Commission level: (INSTIT).

Decision-making procedure: Commission directives are transposed faster than either Council or Council and EP directives.

Information on the procedures is provided on the directives´ texts. Every single directive refers to it in the headings.

Decade

The number of directives set by the Council differs considerably over the last decade. At the same time, politicians and scholars alike are concerned about a growing transposition deficit in the EU. The argument here is as follows: With an ever growing amount of EU legislation over the last decades, more and more directives are waiting to be transposed; hence member states have increasing difficulties to address the steadily growing legislative workload and fail to transpose them in time.

Decade: The more recent a directive is agreed upon in the Council, the probability of a transposition delay increases.

To test this hypothesis, this study classifies the time from 1957 to 2004 in different periods where significant changes in the amount of EU legislation took place. Information here is taken from Wessels and Maurer (2003) and the evaluations of EU transport history by Stevens (2004) and Kaeding (mimeo): (DECADADO).

NATIONAL IMPLEMENTING MEASURE SPECIFIC VARIABLES

Another category of variables on the national level can be identified: *National implementing measure specific varibles.*

Feature of national implementing measure:

In the implementation literature, one can identify three potential features of national implementing measure that could cause delays in the transposition process: *type of the legal instrument, number of legal instruments and the number of ministries involved.*

Type of legal instrument:

Member states transpose EU directives by using national implementing measures. The types of legal instruments differ. Depending on administrative or ministerial traditions one legal instrument is preferred to the other. Interestingly, these different legal types can be more or less time consuming depending on the actors involved. Mastenbroek (2003) and Bekkers et al (1995: 412) argue that a Dutch Ministerial Order is faster than statutes and Orders in Council, because consultation of advisory boards is very rare and nor the Council of State, and Parliament does not need to be heard.

Type of legal instrument: The fewer actors involved in the making of a legal instrument, the faster the transposition process.

Information on the legal instruments for all member states is drawn from the list of measures notified to the Commission, Celex, and the national legal databases.
I constructed a variable with four categories for all national implementing measures according to the number of actors involved: (LEGALINS)

Number of legal instruments:

Another important variable which explains transposition delay is the number of legal instruments required for full transposition. Transposition problems arise if many implementing measures need to be transposed (Ciavarini Azzi, 2000: 56).

Number of legal instruments: The more national implementing measures used to be transposed, the more likely transposition delays.

Information on the exact number of legal instruments is problematic to gather since it is impossible to predict it if a national implementing measure is still following. However, the information from Celex, personally verified by the data provided in the national databases guarantee the best proxy to test for this intuitive hypothesis: (INSTRUM).

Number of ministries involved:

For the Netherlands, Mastenbroek (2003) shows that directives often fall between the jurisdictions of more than one ministry, resulting in communication and coordination problems, conflicts of interest, and competence issues, that may cause differences in speed. Differences of tradition, structures and culture in the transposition process within the ministries may delay the transposition process (Dimitrakopoulos, 2001: 616).

Number of Ministries involved: The more ministries that are involved in the transposition process, the more likely transposition delay.

Information on the number of ministries involved is taken from the national implementing measures themselves. Alongside the lead ministry in the transposition process, all other ministries involved in the transposition process normally sign the legal instrument: (NUMBMINI).

GOODNESS OF FIT:

Knill and Lenschow (1998: 596) refined the notion that the lower the fit between domestic-level and European-level processes, policies and institutions, the higher the costs of adaptation for the member state. Börzel and Risse (2003) identify misfit as a necessary, but not a sufficient condition for complete implementation. Transposition speed may be a function of the costs of policy-makers, administrators and regulated parties. The fewer the changes in the existing legal texts and in the administrative application procedures and the behavior of actors of the addressees, the fewer the difficulties there will be with a timely transposition. In this regard, the notion of double-banking is crucial. Double-banking is when European legislation covers the same ground as existing domestic legislation, though possibly in different ways and to a varying extent. The term 'ground' has to be interpreted widely and includes the areas of risk the legislation seeks to provide for, the areas of activity the legislation impacts upon and the nature of the control.

Goodness of fit: The higher the goodness of fit, the smaller the transposition delay.

This argument is difficult to measure for a large n-sample (n=340). Drawing on Mastenbroek (2003), this study uses a proxy that distinguishes between two situations: transposition into a completely new national implementing measure versus transposition through modification of an existing national legal instrument. I assume that amendments will display a higher fit with the national legislation, whereas in cases of a completely new legal instrument, the fit will be lower (NEW1). Moreover, this study tests for already existing national legislation that lies within the scope of the new European directive (OLD). Information here was gathered from the texts of the legal instruments in question and Celex.

CONTROL VARIABLES:

This study uses a handful control variables often tested for in the compliance literature of IR: the so-called power-based neo-realist, the knowledge-based constructivist and management school arguments.

Fearon (1998) argues that studies of compliance ought to begin with the negotiation of the agreement that is to be enforced. Governments that must satisfy many coalition partners and other veto players will not act as decisively or efficiently.

This study differentiates the veto player argument between two different variables: *Coalition politics* and *partisan effects on public policy.*

Coalition politics:

Governments that have to satisfy many coalition partners and other veto players will not always act with speed and efficiency. Haverland (1999) suggests that veto players shape both the speed and the quality of implementation of EU law. Veto players in large numbers result in slower speed and therefore higher transposition delays (Franchino, 2004). Coalition politics slow down the transposition process. In the German case, however, Brinkmann (2000) argues that federalism is without any significant effect on the implementation record of Germany.

Coalition politics: The higher the number of institutional veto players, the greater the delay in transposing EU law.

This study uses Tsebelis'data on veto points (2001) to test the veto player argument (VETOTSEB)[2] and the veto player index by Schmidt (1996) (VETOSCHM).

Partisan effects on public policy

In the context of timely transposition of EU directives, Treib (2003) demonstrates the importance of domestic party politics. Schmidt (1996) argues that the extent to which parties influence public policy is to a significant extent contingent upon the type of democracy and countermajoritarian institutional constraints of central state government. Large partisan effects typify majoritarian democracies and states, in which the legislature and the executive are 'sovereign'.

> *Partisan effects: The more party politics affect public policy or the more majoritarian the political institutions,, the slower the national transposition process.*

Member states differ in the degree of institutional semi-sovereignty of the legislature and executive. The degree of semi-sovereignty or, in the words of Colomer (1995), the patterns of 'institutional pluralism', influence the scope for action of the incumbent party to a significant extent. The extent to which countermajoritarian semi-sovereign state structures, or countermajoritarian institutional pluralism, circumscribe the room to manoeuvre available to government is amenable to more precise measurement. Lijphart's federalism-unitarism indicator is a basic work in this tradition (1999) (FEDUNITA). Moreover, Colomer's index (1995; 2002) casts light on deep-seated institutional differences and countermajoritarian constraints of central state governments. The room of manoeuvre available to central government is large in countries in which the legislature and the executive are 'sovereign', such as France, Sweden, the UK and the Netherlands (Schmidt, 1996: 171) (PLURALIS). And last but not least, I use the index of constitutional structures (Huber et al, 1993) (CONSTITU). [5]

Corporatism:

Interest groups are important in the transposition process of European policies. Duina (1997) claims that the time of transposition of EU directives in the member states depends on the fit between the directive and the organization of interest groups. The role of interest groups in the member states refer to the patterns of interest intermediation (Falkner, 2000). Neo-corporatism (Lehmbruch, 1984) describes a cooperative relationship between government and interest groups, a constellation which is necessary for stability and predictability when EU law is transposed. Therefore, corporatist arrangements increase the stability and degree of institutionalization of policy networks at the national level and set more rigid rules for interorganizational bargaining (Streek, 1991) which may facilitate the transposition process. Lampinen and Uusikylä argue that high levels of corporatism, which drastically reduces the number of veto players, result in lower transposition deficits. 'Corporatist arrangements increase the stability and degree of institutionalization of policy networks at the national level' (Lampinen and Uusikylä, 1998: 239). A close and cooperative arrangement between the state and interest groups improves transposition.

Corporatism: A high degree of corporatism, slows down the transposition process.

This study relies on work by Kenworthy (2003) on quantitative indicators of corporatism, which measures the actual appearance of collective bargaining systems and the significance of interest organizations in society and in the political system. Based on the first quantitative measures of corporatism by Schmitter (1982) and Lehmbruch (1984), the Traxler-Blaschke-Kittel scores appear to be the most suitable for this research. It is recently developed indicator about interest group organization, wage setting arrangements, and participation by unions in policy making and varies over time. TBK is one of the few indicators for corporatism that is measured beyond the early 1990s (TBKMP). Moreover, I take Armingeon's measure (2002) for corporatism (1960-2000) which is partly based on the data by Lijphart (1999: 313-314) and Siaroff (1999) (COOPARMI).

Public Support for the EU:

Some states may also lack the political will to transpose. The degree of political will necessary to transpose may well vary by the anticipated degree of domestic resistance, due in part to the identity, number and influence of the actors who will be to change their behavior (Haas, 1998: 19).

The attitude towards the EU may determine the transposition process in member states. Since politicians often make policy choices that secure their re-election, we can assume that the lower the overall mass support for the country's membership in the EU, the higher the probability that a member state will face difficulties in transposing European directives (Lampinen and Uusikyla, 1998: 239).

EU public support: The higher the overall support for the country's EU membership, the faster the transposition process.

To operationalize EU support in member states, this study relies on 1974-2004 Eurobarometer data that reflects the overall satisfaction to the EU among citizens in the member states. This data has been used widely for voter preferences (Eichenberg, 1999), public support for the EU (Gabel 1998; Gabel and Palmer, 1995) and government policy preferences (Schneider, 1995; König and Hug, 2000). This study uses one question of the core set asked since 1974 by independent polling agencies in the various EU member states: 'Do you see your country's membership of the Union as a "good thing"?'. Missing values (7 in total) were calculated by taking the means of the numbers for the proceeding and following year: (EUATTITU).

Voting rule:

The design of the institution itself and the actions of elites in adapting to that institution will have an impact on the implementation of the laws produced by it (Mbaye, 2001). Mitchell (1994) argues that the design of the international regime influences implementation. The design of the EU and the changes in that design can be expected to affect compliance. The introduction of qualified majority voting (QMV) in the Council of Ministers in 1987 with the SEE and the indirectly repeal of the Luxembourg Compromise may lead to transposition delay (Mbaye, 2001: 63), as member states may be asked to transpose and implement policies on which they did not agree.

Voting rule: With the introduction of QMV, the transposition process got more and more delayed.

To test the Luxembourg Compromise notion which is heavily rejected by Golub (1999) this paper uses a dummy for the pre-SEE period and the post-SEE period.

Information on the decision-making procedure is derived from the titles of the directives which can be found in Celex: (INSTITUT).

Level of corruption:

Another argument that is often found in the compliance literature is the level of corruption. States with *systematic corruption* should have higher levels of transposition delay. Corruption in the public sector and in the administration can cause delays in transposition or even non-transposition. Yet we know little about the possible role of different political institutional arrangements on political corruption (Gerring and Thacker, 2004). Systematic patronage positions produce systems in which tasks are accomplished only when bureaucrats have a personal incentive to get things done. If transposition does not produce personal incentives for the civil servant, delays in transposition can result. Corrupt member states should therefore transpose less effectively and slower respectively.

Corruption: The higher the level of corruption in a member state, the slower the transposition process.

The International Center for Corruption Research (2004) provides the TI-corruption perceptions index, a comparative assessment of country's integrity performance, alongside with related academic research on corruption: (CORRUPTI).

Summary: Predicted Results

Table 3 summarizes the predicted effects of the variables drawing from the implementation and transposition literature in comparative politics and the compliance literature in IR.

[Table 3 about here]

First, member states have more difficulties to transpose 'new', detailed and complex directives which are enacted by either the Council or the Council and the EP without sufficient time for transposition in a period with a considerable amount of directives already waiting for transposition. Second, the type of legal instrument determines the speed of the transposition process. The more actors involved and the higher the number of national legal instruments to be adopted, the slower the transposition of the EU directive. Last but not least, conflict prone member states with a low degree of corporatism and a high number of coalitional and partisan veto players have difficulties with timely transposition of EU legislation. Transposition delay is caused by bargained agreement far from the member state's preferences, so by the introduction of QMV in the Council of Ministers in 1987 with the SEE. A sceptical public attitude towards the EU may hamper fast transposition such as a low fit between existing national legislation and the EU directive. And member states with a higher level of corruption are more prone towards delays.

ANALYSIS

Before I begin discussing the optimal statistical model for the determination of transposition delays in the member states, I checked for multicollinearity in Table 4:

[Table 4 about here]

Consquently, this study dropped four variables (VETOTSEB, TBKMP, FEDUNITA, PLURALIS) because of a multicollinearity problem. The correlations between them range between 0.6 and 0.99 and would have made any statistical analysis superfluous. Table 5 provides descriptive statistics for all variables included in the data set.

[Table 5 about here]

Applied method:

Normally, this study is predestinated to apply a hazard rate model to test the hypotheses about delay in the transposition process of EU directives. [9] One of the great advantages of event history over standard ordinary least-squares (OLS) regression is its ability to handle what is referred to as censoring (Golub, 1999: 747). A duration model allowed Mastenbroek (2003), for example, to treat the transpositions as right-censored and avoid selection bias by eliminating directives on which the member states have taken no final action. This is obviously superior to alternative models such as regression analysis or probit, where information on right-censored nominations would be lost. In my case, however, there are only very few directives whose deadline expired after the last day of compilation of the data set.

To specify the baseline hazard rate, moreover, is a very time-consuming and cumbersome endeavor, which involves speculation about the effect of the passage of time on the probability that an event will occur. Especially with time-varying covariates the calculation of the survival functions is quite complicated, because one needs to specify a path or trajectory for each variable.

Having this in mind *and* a few time-varying variables in the transposition data set, I checked for the likely amount of directives eliminated by a potential logit model.

This research would lose only 5% of its complete information. In the analysis of the missing values I could not find any significant pattern whatsoever. So, for the purpose of this study, I opted for a logit analysis as the estimation technique. The dependent variable is ‘delayed transposition’, coded 0 (non-delayed) and 1 (delayed), *not* the length of delay. [10] The group of non-delayed national instruments (136) is large enough compared to the number of delayed national instruments (204). There are enough observations in each group to produce a reliable estimate of the probability of an observation. No problems of disproportionate sampling will emerge (Wooldrige, 2000).

RESULTS:

In the following, I discuss the results for each group of mostly time-varying variables. Table 5 displays the determinants of transposition delay for transport directives adopted from 1957 to 2004.

[Table 6 about here]

EU directive specific variables:

The level of detail of EU directives hampers timely transposition. The number of recitals is highly significant and according to the BIC a strong determinant of transposition delay. In addition, is the coefficient for the number of pages of a directive significant too. NEW is a positive determinant (BIC=2) and confirms Hoppe and Otting’s argument (1998) that the character of a directive determines the speed of transposition. Directives that introduce a new topic of legislation slow down the process. Moreover, the time set in the directives for transposition matters too. TRANSWE1 is significant on the .01 level and confirms that a limited transposition time set in the directive causes problems for a timely transposition. Surprisingly, figure 3 shows, that the average guaranteed transposition time in 1970s was 11 months and increased to 17 months in the early eighties, it then steadily decreased over the late 1980s and late 1990s over 15 and 14 to 13 months. Despite the considerable growing number of transport directives to be transposed over the years (+ 84%), the average transposition time agreed upon in the Council decreased by 24%. In the last three years, however, this trend has been reversed. A directive adopted after 2000 guaranteed on average 18 months for full transposition.

[Figure 3 about here]

Over the years, from 1970 to 2004, one would expect the average guaranteed transposition time to increase with the amount of directives in the field. If governments perceive that transposition would be complex and may require the introduction of statutory law, they could take this into account in deciding on rather lengthy time periods before they need to comply with the new rules. Apparently, they do not.

Mastenbroek's notion (2003) that Commission directives are faster transposed than Council or Council and EP directives is reflected in the data set, although rather weak. The same holds for DECADADO, which is significant on the .05 level indicating with more legislation wait for transposition in a given period the more likely are delays.

National implementation measure specific variables:

LEGALSINS is the strongest determinant of transposition delay in the data set with a BIC of over 10. The selection of the type of the national legal instrument, whether law, decree, regulation or circulair, affects the speed of the transposition process significantly. The more actors involved in the legal procedure, the slower the transposition. Number of legal instruments and the ministries involved, however, seem to play a minor role. Whereas INSTRU is significant on the .05 level, both variables suffer from non-variance over the different cases in the data set. The mean of INSTRU is only 1.44, and 1.14 for NUMBMINI respectively, which indicates that these variables may matter in different policy sectors. But obviously, in the transport sector, hardly more than one ministry is ever involved in the transposition process, and normally EU directives are transposed with just one national legal measure.

Control variables:

An increasing stability and degree of institutionalization of policy networks at the national level do not affect the speed of transposition, nor play partisan effects strongly. Governments, which have to satisfy a bigger number of coalitional veto players, however, have significant difficulties in transposing EU directives in time. VETOSCHM is significant on the .01 level and positive (BIC=2). The higher the number of institutional veto players, the greater the delay. A low number of veto points facilitates the national adaptation to the process of Europeanization (Giuliani, 2003).

The results of INSTITUT are inconclusive, which probably rather favors Golub's (1999) rejection of the QMV myth. The introduction of the QMV in 1987 with the SEA does not need to have a significant impact in either way. Overall public support in a member state towards the EU does not have any important effect. Member states that are most supportive to EU policy-making are not among the ones with the lowest transposition deficits (Matilla and Lane, 2000). This observation runs counter to ideas that national policy communities exist, which would facilitate the acceptance of European legislation and a swift and unproblematic transposition of directives.

Corruption, however, is a significant variable and causes delays. Member states with higher levels of corruption seem to be less effective, reluctant and slower in transposing EU directives.

Last but not least, some attention to the widely GOF notion found in the literature. The EU transposition data suggests that the effort of changes in existing legal texts and administrative application procedures and the behavior of actor or the addressees are not of any help in explaining transposition deficit (Mastenbroek and Kaeding, mimeo).

DISCUSSION

Transport policy may differ in economic, numeric and organizational terms from other industrial sectors, but is worthy of special attention and crucial for the achievement of the ambitious Lisbon goals. It is a major factor in economic competitiveness and employment. A modern infrastructure is an important competitiveness in many enterprise decisions, affecting the economic and social attractiveness of locations. Transport is a major industry by whatever criteria it is measured: investment, employment, etc. The capital investment is huge, and a high percentage of workers are employed in transport services. Timely transposition of EU directives is crucial to its success.

In line with the findings by Mastenbroek (2003), the newly gathered data set representing the full population of the EU transport acquis and the national transposition instruments derived from CELEX and national transposition data bases for Germany, Greece, the UK, Spain and the Netherlands respectively, the EU Transport Transposition Data Set 1957-2004, demonstrates, however, that only 39% of the transport acquis were transposed in time. [11] The average transposition time was at least 32 weeks (8 months) too late, varying between just a couple of days to 333 weeks (6.5 years). The EU faces a serious problem of delayed transposition, where member states have refused to a different extent to transpose EU obligations for *more than six years*. Whereas Spain has an average transposition delay of 10 weeks, Greece national legal instruments were on average 60 weeks delayed.

Why do member states lag behind transposing crucial Internal Market directives? This study identified a handful of determinants explaining delay in the transposition process. Drawing from the Europeanization, implementation and transposition literature in Comparative Politics, this paper tested European directive specific and national implementation instrument specific sets of variables by controlling for institutionalist variables derived from the compliance literature in IR.

A new finding is that the *EU directive's level of detail* embodied by the number of recitals slows down the transposition process. The uploading of recitals used by the member states or the Commission to add a number of points that could have not agreed upon during the negotiations hampers a swift transposition. Moreover, directives introducing a new topic of legislation need more time to be fully transposed by the member states. In periods of high legislative output transposition delays seem inevitable. And a short transposition time set in the directive itself increases further problems with timely transposition. On the national level, the data shows that already existing legislation in the policy area does not guarantee smooth and timely transposition. The choice of national legal instrument, however, affects significantly the final speed of the transposition process (Mastenbroek, 2003). The fewer actors involved in the making of the legal measure, the faster the transposition process. This study also confirms that systematic patronage reduces personal incentives to get things done, which can easily result in transposition deficit. The level of corruption and the number of de jure veto players harm timely transposition.

CONCLUSION

What are the implications of these findings? Whilst the examination of the transport area does not attempt to cover the entire and extended range of European policies, it does identify and stress those systematic aspects of policy considered to be heuristically significant for the current analysis and simultaneously offers insights into an important area of European policy-making.

This study is a first cut at a quantitative explanation of transposition deficit in the EU. Drawing on existing scholarly work this study tested and controlled cautiously for a considerable set of variables. With sixteen variables the models tend to be overdetermined (Achen, 2002). However, the purpose of this paper was not to test systematically one theoretical model. This would be the next step. A few efforts of transposition theories in the field informed by either the rational-choice institutionalist (Steunenberg, mimeo) or the sociological institutionalist perspective (Rhinard and Dimitrova, mimeo) need to be carefully operationalised and tested. This paper, however, reveals that we are in need of better measurements. Here, the answer could lie in a more detailed case oriented comparative approach and policy-specific measurements. Focusing, for example, on the subsections of the transport policy field, tables 7and 8 show that there is significant variation.

[Table 7 and 8 about here]

Tables 7 and 8 display that shipping and general transport directives perform best. Their average delay strikes 20 weeks or less. Air directives, on the other hand, with the lowest guaranteed transposition time set in the directives are one year delayed. Road and rail directives range in between with 8 and 9 months of delay. Inland waterways directives take the most time. Here, the average transposition delay is 27 months (2,25 years).

While the results of the analysis are robust to the inclusion of other variables, further research should investigate interactive effects between policy-specific political and administrative variables. Tables 7 and 8 indicate that *policy matters*. How it does, we do not yet know.

NOTES:

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Berglund, Ieva Gange and Marleen Romeijn. Funding for this research was generously provided by the Netherlands Organisation for Scientific Research.

1 The transport data set is part of the *Transposition Group* database which is organized into four different datasets including transport, food, energy and telecommunication and social policy and hosted at Leiden University, Utrecht University, and the Free University of Amsterdam (www.transposition.fsw.leidenuniv.nl).

2 For an overview of the development of EU transport policy see Kaeding (mimeo).

3 Under the Jenkins Presidency, the Commission pursued a more rigorous policy of enforcement from the late 1970s. CELEX gradually grew into an interinstitutional information source. Celex aims to reflect, among other things, to reflect some aspects of the interaction between Community law and national law by providing publication references to Member States' national provisions enacting Community directives. The creation of a directive in the database is systematically followed by the addition of the corresponding document. Each Member State is responsible for supplying references to its own implementing legislation to the Commission.

4 I opted for the first national implementing measure because the European Commission would also consider the first national legal instrument notified to be sufficient. Only after the notification the Commission would have time to test its appropriateness for transposition the EU directive.

5 Note that the number of directives to be transposed differ between the member states: The Netherlands, Germany and UK (106), Greece (102) and Spain (96).

6 Besides, there is also variation between the different modes of transport. Rail, air, road and shipping, representing 88% of all cases are equally covered by the data set, ranging from 58% to 73%, whereas national implementing measures can only be recorded for 37% of all 19 waterway cases.

7 Mastenbroek tested for complexity by counting the page numbers of the EU directives. However, she did not find any significant results.

8 For the missing Greek figures, I am grateful to Frank Häge who provided me with the data.

9 Event history analysis has recently made inroads into European studies (Golub, 1999; Schulz and König, 2000; Schimmelpfennig, 2002; Mastenbroek, 2003) and beyond (Box-Steffensmeier, Reiter and Zorn, 2003; Collier, Hoeffler and Soderbom, 2004; Fearon, 2004).

10 Hence, for this purpose I decided not to use a categorical dependent variable like König et al (mimeo) suggest in their contribution. Herewith, I treat a three months delay and a three years delay alike, which is not optimal, but jeopardizes the economic competitiveness and effectiveness EU policies to the same extent.

11 Country specific figures are as follows: Germany (30%), Greece (33%), UK (39%), NL (50%), ES (41%).

TABLES:

Table 1. National differences in transposition delays

Member State	**Spain**	**Germany**	**UK**	**The Netherlands**	**Greece**
Average transposition delay in months (weeks)	2.5 (10)	4.5 (18)	7 (27)	8 (31)	15 (60)

Source : Own data.

Table 2. Test of similarity of means : National differences in transposition delays

	Spain	**Germany**	**UK**	**Netherlands**	**Greece**
Spain	1				
Germany	**	1			
UK	**		1		
Netherlands	***			1	
Greece	***	*	*		1

Source: Own data. * = p<0.1; ** = p< 0.05; *** = p< 0.01

Table 3. Predicted effects of the independent variables on the speed of transposition.

EU directive specific	
Nature of directive	New (-); Amendment (+)
Complexity of directive	
Number of recitals	(-)
Number of pages	(-)
Number of articles	(-)
Deadline	more(+); less (-)
Decision-making rule	Commission (+), Council (-) Council and Parliament(-)
Decade	(-)
National implementing measure specific	
Type of legal instrument	Law>Decree>Regulation>Circular
Number of legal instruments	(-)
Number of ministries involved	(-)
Goodness of fit argument	high (+); low (-)
Rationalist perspective	
Veto player	
Coalition politics	(-)
Partisan effects on public policy	(-)
Corporatism	high degree (-)
Social constructivist perspective	
Voting rule	(-)
Attitude towards the EU	pro-European (+)
Management school	
Administrative constraints	
Level of corruption	high (-); low (+)

Table 4: Correlation Matrix of Main Variables:

	new	recitals	transwe1	instit	decadado	institut	legalins
new	1.0000						
recitals	-0.0202	1.0000					
transwe1	-0.0004	0.1470**	1.0000				
instit	-0.2260***	0.2803***	0.2472***	1.0000			
decadado	0.5164***	0.0349*	0.0329	-0.0064	1.0000		
institut	-0.5225***	-0.1040**	0.0018	0.0545	-0.5342***	1.0000	
legalins	-0.0479	-0.2092***	-0.0365	-0.0003	-0.0297	0.0894*	1.0000
instru	-0.0670	0.0967*	0.1298*	0.0290	-0.1854**	0.0820	-0.1025
numbmini	-0.0229	0.0514	-0.0973	0.0054	-0.0797	0.0493	-0.0104
corrupti	-0.0175	0.0225	0.0447	-0.0098	0.0576	0.0317	0.1647**
euattitu	-0.0605	-0.0168	0.0129	0.0359	-0.1024*	0.0430	-0.1871***
new1	-0.0288	-0.1051	0.0308	-0.0274	0.0612	-0.0090	0.1244*
old	0.2359***	-0.0074	0.1349*	-0.0583	0.1879***	-0.1225*	-0.1078*
cooparmi	-0.0522	-0.0157	-0.0082	0.0148	-0.0551	0.1008	-0.0201
vetoschm	-0.0332	0.0047	-0.0001	0.0274	-0.0127	0.0453	-0.1553**
constitu	-0.0343	-0.0219	0.0005	0.0286	-0.0530	0.0396	0.1443**
pagnumb	0.0563	0.1923***	0.1112	0.0397	-0.0273	-0.0537	-0.0811
articnumb	-0.0127	0.5470***	0.4057***	0.3709***	0.1089**	-0.0855	-0.2171**
Vetoseb	-0.0198	0.0096	-0.0093	-0.1238	-0.0987	0.1775	-0.3539
Tbkmp	-0.1822	-0.0899	0.0937	0.0163	-0.2823	0.3066	-0.2840
Fedunita	0.1952	0.0538	-0.1183	-0.0377	0.2012	-0.2076	0.1393
pluralis	-0.2037	-0.0594	0.0859	0.0295	-0.2288	0.2162	-0.1460

Notes: Coefficients based on standardized variables; N= 512. Notes: * significant at the p< .05 level ** significant at the p< 0.01 level *** significant at the p< 0.001 level. Source : EU transport trasposition data set 1957-2004.

	instru	numbmini	corrupti	euattitu	New1	old	cooparmi
Instru	1.0000						
Numbmini	-0.0129	1.0000					
Corrupti	0.1384*	-0.1664**	1.0000				
Euattitu	-0.0601*	0.0845	-0.1278**	1.0000			
New1	-0.0256	-0.0889	0.1590**	-0.0351	1.0000		
Old	-0.0612	0.0441	-0.0763*	0.0638	0.0435	1.0000	
Cooparmi	0.0399	-0.0768	0.5071***	0.2794***	0.1567**	-0.1204***	1.0000

Vetoschm	-0.0710*	-0.0968	0.2337***	0.4492***	0.1327**	-0.0588*	0.7805***
Constitu	0.0211	-0.1088	0.3924***	-0.4715***	0.2457***	0.0056	0.4584***
Pagnumb	-0.0403	0.2514***	0.0229	-0.0503	-0.0230	-0.0097	0.0274
articnumb	0.0931*	0.0337	0.0444	-0.0292	-0.1225	0.0141	0.0279
Vetoseb	0.0905	0.2555	0.1822	0.7122	-0.1297	0.0580	0.8183
Tbkmp	-0.023	0.1280	-0.0180	-0.2356	-0.0062	-0.0644	0.9486
Fedunita	0.6064	-0.0283	0.3853	-0.1928	-0.2131	0.1231	-0.8346
pluralis	-0.2043	0.0318	-0.4438	0.2303	0.1910	-0.0606	0.8323

Notes: Coefficients based on standardized variables; N= 512. Notes: * significant at the p< .05 level ** significant at the p< 0.01 level *** significant at the p< 0.001 level. Standard errors in parantheses. (All two-sided). Source : EU transport trasposition data set 1957-2004.

	vetoschm	**constitu**	**pagnumb**	**articnumb**	**vetoseb**	**tbkmp**	**fedunita**	**pluralis**
vetoschm	1.0000							
Constitu	0.2912***	1.0000						
Pagnumb	0.0072	0.0211	1.0000					
articnumb	0.0233	-0.0005	-0.1047	1.0000				
Vetoseb	0.8480	-0.0114	0.0058	0.0532	1.0000			
Tbkmp	0.8400	0.6054	-0.0253	-0.3256	0.7895	1.0000		
Fedunita	-0.5887	-0.5213	0.3256	0.1253	-0.5887	-0.8346	1.0000	
pluralis	0.6064	0.5462	-0.2356	-0.3215	0.6064	0.68756	-0.9875	1.0000

Notes: Coefficients based on standardized variables; N= 512. Notes: * significant at the p< .05 level ** significant at the p< 0.01 level *** significant at the p< 0.001 level. Standard errors in parantheses. (All two-sided). Source : EU transport trasposition data set 1957-2004.

Table 5. Descriptive statistics:

	New	Recitals	Transwe1	Instit	Decadado	Institut	Legalins	Instru	Numbmini	Corrupti	Articnumb
Obs.	518	518	518	518	518	518	346	387	342	518	518
Mean	1.86	11.38	54.76	1.93	5.64	0.09	2.58	1.44	1.14	7.27	9.80
Min	1	1	1	1	2	0	1	0	1	4.04	3
Max	3	50	183.6	3	7	1	4	14	8	9.08	219
	Euattitu	**New1**	**Old**	**Cooparmi**	**Vetotseb**	**Vetoschm**	**Fedunita**	**Pluralis**	**Constitu**	**Pagnub**	
Obs.	513	340	403	518	439	518	518	518	518	518	
Mean	55.71	1.44	1.85	2.81	1.52	5.19	0.07	1.99	2.22	24.87	
Min	24	1	1	1.81	1	2	-1.79	0	0	1	
Max	88	2	2	4.69	3	8	1.4	4	5	929	

Table 6. Determinants of transposition speed, 1957-2004

Variables	Model 1	Model 2	Model 3	Model 4	BIC
EU LEVEL VARIABLES					
European directive					
Nature of directive		-0.99*		-1.60**	2
		(0.45)		(0.56)	(positive)
Level of detail:					
Number of recitals		0.11***		0.10***	8
		(0.02)		(0.03)	(strong)
Number of pages		-0.01		-0.01*	
		(0.00)		(0.00)	
Number of articles		-0.01		-0.02	
		(0.03)		(0.03)	
Deadline		-0.01**		-0.01*	
		(0.01)		(0.01)	
Decision-making rule		-0.01		0.10	
		(0.20)		(0.23)	
Decade		-0.39**		-0.43**	1
		(0.12)		(0.18)	(weak)
NATIONAL LEVEL VARIABLES					
National implementing measure					
Type of legal instrument			-0.78***	-0.84***	10
			(0.18)	(0.21)	(very strong)
Number of legal instruments			0.45**	0.32*	
			(0.15)	(0.17)	
Number of ministries involved			0.75*	0.62	
			(0.36)	(0.38)	
Goodness of fit argument	0.23	0.87*	0.13	0.86	
	(0.37)	(0.45)	(0.39)	(0.53)	
CONTROL VARIABLES					
Veto player					
Coalition politics	-0.25**			-0.33**	2
Partisan effects on public policy	(0.09)			(0.12)	(positive)
Constitu	0.07			0.08	
	(0.11)			(0.15)	
Corporatism	0.34			0.41	
	(0.26)			(0.31)	
Voting rule	0.79*			-0.87	
	(0.44)			(0.80)	
Attitude towards the EU	0.01			0.01	
	(0.01)			(-0.02)	
Administrative constraints					
Level of corruption	-0.23**			-0.31**	2
	(0.12)			(0.14)	(positive)
N	338	338	321	321	
Prob>chi2	0.0005	0.0000	0.0000	0.0000	
Pseudo R2	0.0431	0.1522	0.1004	0.2615	
Correctly classified	60.06	69.53	66.36	75.39	
Log-likelihood	-217.59615	-192.77714	-195.9018	-160.81373	

Notes: * significant at the p< .05 level ** significant at the p< 0.01 level *** significant at the p< 0.001 level. Standard errors in parantheses. (All two-sided). Source : EU transport trasposition data set 1957-2004.

Table 7. Different transposition delays of modes in months (weeks):

Transport mode	Transport general	Shipping	Road	Rail	Air	Inland waterways
Average transposition delay in months (weeks)	- 4 (-17)	5 (20)	7.5 (31)	9.5 (38)	12 (49)	27 (109)

Source: Own data.

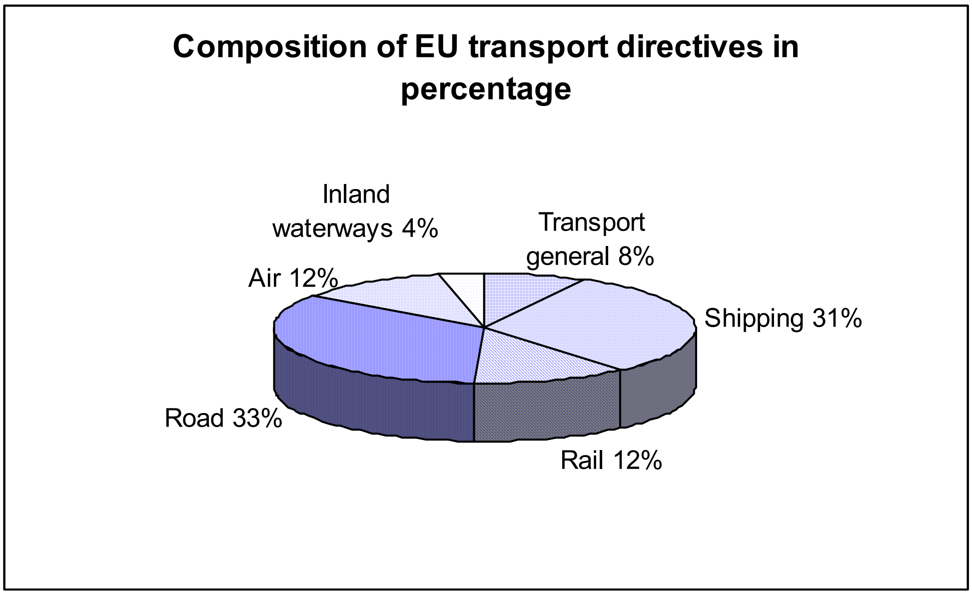
Table 8. Test of similarity of means : Differences of modes of transport in transposition delays

	Transport general	Shipping	Road	Rail	Air	Inland waterway
Transport general	1					
Shipping		1				
Road	***	***	1			
Rail	**			1		
Air	***	***			1	
Inland waterway	***	***				1

Source: Own data. * = p<0.1; ** = p< 0.05; *** = p< 0.01

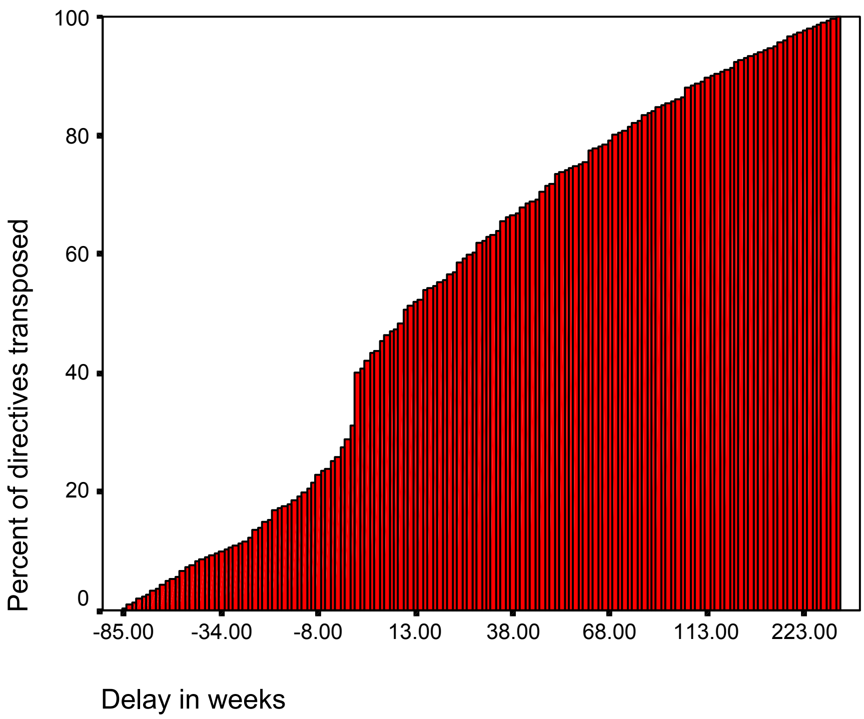
FIGURES:

Figure 1. Composition of EU transport directives in percentage.



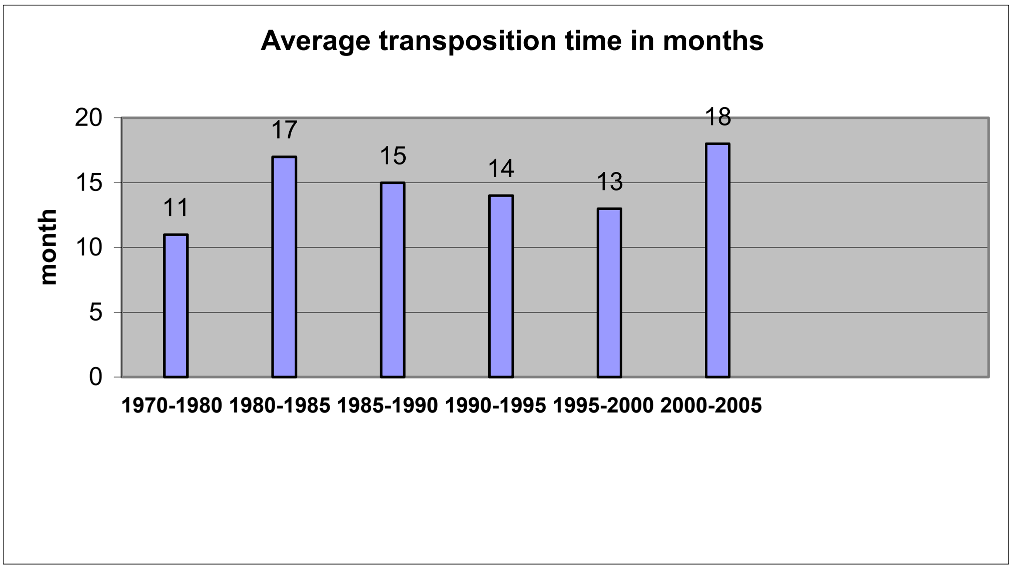
Source: Own data.

Figure 2. Transposition of transport directives in Germany, Greece, Spain, The Netherlands and UK: delay in weeks



Source: Own data.

Figure 3. Average transposition time in months.



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Shipping, the State and the Market

The evolving role of the European Union in international & Greek shipping politics

Case study on coastal shipping in the 1990s

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On the 16th of December 2004 the Union of Greek prefectures together with the island prefectures of the Dodecanese, Cyclades, Lesvos, Samos and Chios organised a large demonstration outside the Ministry of Merchant Marine in Piraeus. The island communities were calling for regular and affordable sea transport services and the recognition by the EU of their exceptional circumstances. Concurrently, the Minister of the Aegean was attending an informal Council of Ministers in Rotterdam presenting evidence on the economic decline of the island communities. The Minister put forward the proposal that coastal transport should be partially financed from EU funds. Back in Greece, the government was under criticism by the opposition party for conducting secret negotiations with coastal shipowners, punishing the island communities that had not voted for the government in the most recent elections. Yet, the coastal shipowners were publicly commending the European Commission for sending a letter of formal notice to the Greek government for not completing the liberalisation of the domestic market.

As illustrated by these examples, the central argument of this research is that globalization and Europeanisation not only have transformed the nature of domestic politics, but are also becoming a new divide around which domestic politics are being configured. Global economic, institutional and ideational pressures and Europeanisation are loosening the ties between the Greek state and organised shipping. In a political system characterised by a unitary state, weak integrated political leadership and thus 'low reform' capacity, it is unlikely that reform will occur if the formal and factual veto points are opposed. Global pressures and Europeanisation entail the provision of material and immaterial resources that can not only empower certain actors but can alter the domestic constellation of actors in favour or against reform.

1. Analytical Framework

The proposed framework is intended to provide a conceptualisation encompassing the global pressures, Europeanisation and domestic dynamics. In the existing literature there is a tendency to either research the interaction between globalisation and European regionalism or the domestic impact of European integration. However, due to the international character of shipping, a framework concentrating solely on one of these aspects would be insufficient (Berger 2000: 58, Verdier and Breen 2001: 233, Hennis 2001: 83, Graziano 2003: 174, Golden 2004: 1243, Schmidt 2004). Thus, to understand the sources of domestic change in the shipping sector, European integration must be placed within a global context. In clarifying the relationship between globalization and Europeanisation it is assumed that the EU is having a larger domestic impact (Schmidt 2002: 305). However, the nature of this relationship is not taken for a given and can unfold in centripetal or centrifugal ways (Verdier and Breen 2001: 233, Graziano 2003: 186 – 7, Meunier 2004).

The analytical framework draws primarily from new institutionalism The notion of ‘institutions’ is employed to refer to the ‘formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy’ (Hall, 1987: 19). Political institutions have a first order impact in privileging particular interests through representation and structuring strategic choices and interactions. In tandem, it is acknowledged that political institutions can have a second order effect by shaping the preferences and ideas of collective actors (Hall and Taylor 1996, Swank 2002).

The mechanisms that link the global pressures and Europeanisation to domestic political arrangements have been detailed by Knill and Lehmkuhl. Without evoking the ‘goodness of fit’ hypothesis, the work of Knill, Lehmkul and Heritier presents the most sophisticated theoretical framework for analysing the domestic impact of the EU. (Heritier and Knill 2000: 2, Heritier and Knill: 2001). They begin by asking what is the impact of European policies on corresponding policies and patterns of interest intermediation at the domestic level? In response, a framework comprising of three levels is advanced. Firstly is the level of congruence between the EU and the domestic stage of policy formulation. Yet, incongruence does not automatically entail domestic change. Rather, this is related to ‘reform capacity’ at the domestic level. In turn, this has been defined as the number of ‘formal and factual veto points’ that must be overcome to generate change and the ‘provision of integrated political leadership’ (Borzel and Risse: 64, Tsebelis 2002: 19, Pagoulatos 1999: 198, Marsh and Rhodes 1992: 251). A veto point is an institution or location within a political system within which policy reform can be halted (Caporaso 2004). The larger the number of veto players, the more unlikely change to the status quo becomes (Tsebelis 2002: 19). In tandem, integrated political leadership can be provided by formal majoritarian government, or a successful tradition of consensual decision-making incorporating divergent interests.

In the case of Greece, despite the existence of a unitary state with a one-party majority government, the large number of factual veto points coupled with the traditionally weak political leadership represent considerable obstacles to reform. The relationships between the actors in the shipping industry have taken the form of state corporatism. Business associations and trade unions can block reform because of the power allocated to them by the government and public opinion (Featherstone 2005).

The analytical framework departs from institutionalism in emphasizing agency in interpreting bottom-up dynamics. In the words of Goetz (2003), '…how do domestic actors use Europe to shape the domestic arena?' The responses of the actors involved in shipping policy to the global pressures and Europeanisation affect the power configuration between them (Hennis 2001: 833). The most detailed approach to conceptualising the usage of the EU has been advanced by Jacquot and Woll (2003a, 2003b, Radaelli 2004: 7). An important insight provided by these two authors is that the redistribution of opportunities and resources does not suffice in bringing about political change. Rather, collective actors must recognise these opportunities as resources and act upon them, in other words, 'there is no impact without usage' (Jacquot and Woll 2003a: 5, Irondelle 2003: 212, Radaelli 2004: 10). Explicitly, usage is defined as 'practices and political interactions which adjust and redefine themselves by seizing the EU as a set of opportunities' (Jacquot and Woll 2003a: 4, Jacquot and Woll 2003b: 5). This is an important observation because the documentation of political change solely from an institutionalist approach leads to significant operationalisation difficulties. Indeed, additional political opportunities and resources may be created, indicating the domestic impact of the EU. Yet, how are these identified if collective actors do not acknowledge and use them? Hence, with the assistance of process-tracing (Checkel 2001) usage can be documented and changes in public-private relations can be deduced from the empirical findings.

In further elaborating the bottom-up process, a distinction is drawn between material and immaterial resources. With respect to material resources, Jacquot and Woll (2003b: 12) distinguish between European institutions, policy instruments and financing. The usage of European institutions can allow domestic actors to participate in the deliberation of policy problems and in influencing the formulation of policy decisions. Usage of EU institutions can bestow credibility to domestic actors and provide them with new ideas or information placing them at an advantage to domestic competitors. Policy instruments can be constraining in the form of directives and court judgments or less constraining, represented by soft law instruments such as resolutions, recommendations communications (Jacquot and Woll 2003b: 12). Financing refers to funds allocated by the Commission for the participation of collective actors in specific projects. In parallel, the EU makes available immaterial resources to be used by public and private actors (Surel 2000: 496 – 7, Phellan 2001: 9, Radaelli 2003: 36, Christiansen, Jorgensen and Wiener 2001, Checkel, Caporaso and Jupille 2003).

Within this analytical framework, it is accepted that actors can use EU material and immaterial resources in cognitive, strategic or legitimising ways (Jacquot and Woll 2003b: 11). These types of usage correspond to specific political stakes relating to the definition of problems and solutions, policy-making and justification.

Cognitive usage is attached to the deliberative stage of the political process, involving one the one hand, the understanding and interpretation of facts and events and one the other, employing persuasion to spread these interpretations amongst other actors (Surel 2000: 500). Strategic usage entails the conversion of resources into political practices with the purpose of achieving a clearly outlined objective. Hence, resources are used in order to influence policy decisions, extend an actor's range of political tools or increase access to the political process. Legitimising usage enhances the legitimacy of domestic policies by making reference to the EU and European integration. Its most common manifestation is in the form of rhetorical appeals to 'European Idea' or 'European constraints' (Surel 2000: 507, Phelan 2001: 9, Jacquot and Woll 2003a: 6-7, Jacquot and Woll 2003b: 9).

The analytical framework will be applied to a single country case study concentrating on the shipping industry in Greece. For the purpose of this presentation, emphasis is placed on the first case study regarding the deregulation of domestic maritime transport commencing from 1992 and covering the controversies in the aftermath of the January 1, 2004 formal liberalisation of coastal transport services. In brief, the expectation of the liberalisation of the domestic maritime transport market incited companies to make economic adjustments with extensive political implications. This prospect increased the concentration in the sector and as a result the size of individual companies. In turn, this affected the composition and power balance within business associations as well as in relation to the state.

2. Regulatory Regime in Coastal Shipping

Legislation on coastal shipping has been concerned with the prevention of destructive competition and predatory pricing and the provision of regular, affordable sea transport all year round to all inhabited islands. Hence, the provision of services across 'thin lines' came at the expense of the quality of service and competition (Lekakou 2002, Psaraftis 1996, Psaraftis 2002).

The discretionary power granted to the Minister of Merchant Marine (YEN) in regulating the coastal industry is considerable (Psaraftis 1996, Psaraftis 1998, OECD 2001, Giannopoulos and Aifandopulou-Klimis 2004, Selkou and Roe 2004).[1] More specifically, YEN regulated market entry, allocation of operational licenses, setting the fares, crew composition, imposition of public service obligations, enforcement of licence terms, certification and inspection of operational and environmental safety (OECD 2001: 27). Indeed, certain sections of the legislation dated back to 1926 specifying the number of cooks and stewards, the prices of on board meals as well as a the concessions to a variety of social groups such as members of parliament, to journalists, students, actors, military personnel, and the elderly.

Nevertheless, the haphazard and problematic supply of sea transport between the islands persisted and with the fall of the dictatorship, Presidential Decree 684 of 1976

[1] Interview of Apostolos Athinaios, CEO of Nel Lines, *Economic Outlook* June 2002

was instituted to prevent 'catastrophic competition' between the coastal shipowners. The Decree is of paramount importance as it stipulated as an institutional obstacle to entrance to the coastal market through the issuance of permits for the routes of a vessel (Goulielmos and Lekakou 1993, Lekakou, Papandreou and Stergiopoulos 2002, OECD 2001: 34). This solidified the domination of the existing companies and prohibited the entrance of new providers of coastal shipping.

Central to this regulatory framework was the Coastal Transport Advisory Committee (CTAC) that advised the YEN leadership on all aspects of its responsibilities for the coastal industry (Sturmey, Panagakos and Psaraftis 1994: 3, OECD 2001: 28) The CTAT consisted of twelve members, amongst whom six were government members appointed by the Minister. They were complemented by another six members, four representatives of the industry, a representative of the Piraeus Chamber of Commerce and Industry and one member from the National Tourist Organisation as an articulator of the consumers' interests. Indeed, although the CTAC was designed to offer non-binding recommendations, its opinions on licences and prices were usually accepted by the Minister (OECD 2000: 28). According to the Presidential Decree the authorisation of licences is at the discretion of the Minister of YEN after the Advisory Committee for Coastal shipping gives its opinion. The licences had a long duration as the intention was to assign a vessel to a route for the entirety of the economic life of the vessel (Psaraftis 1996, OECD 2001: 29). In addition, it was stipulated that the Minister has the right to determine the required density of services during the winter and summer schedules and the times of the services.

Cabotage in coastal shipping was instituted in the Public Maritime Law Code (Psaraftis 1996, Lekakou 2002).[2] Coastal shipping is defined as transport of passengers and cargo between Greek ports. Coastal shipping is reserved solely for vessels carrying a Greek flag. For a vessel to carry a Greek flag it must be registered on the Hellenic Ship Register. For the approval of the registration it is indispensable that the vessels are recognised as Greek. Greek vessels are classified as those that are

[2] PMLC, Article 11

owned in excess of fifty per cent either by Greek nationals or a Greek legal entity of which fifty per cent of their equity is owned by Greek nationals.[3]

The provision of services for unprofitable routes is regulated by the Code and a series of Ministerial decisions of which the most significant is the YEN decision on the 'general terms for conducting competitions to service main thin and thin tourist routes'.[4] It is maintained that the system of 'thin lines' is central for the preservation of a satisfactory level of services to islands communities with limited transport needs, especially during the winter season. There is much legislation on the organisation of competitions for servicing unprofitable routes. In exchange for receiving the permit for a specific route, the shipowner is required to service less profitable routes. The ministry determines not only the parameters of the unprofitable route such as frequency, but also the profitability that the shipowner ought to anticipate (Sturmey, Panagakos and Psaraftis 1994: 4).

3. Abolishing Cabotage

3.1 (1993 – 2000) Fleet modernisation and Consolidation

Eventually in June 1992, arduous negotiations at the EU level led to an agreement on the elimination of cabotage with Greece accomplishing the longest phase-in period until January 2004. For cruise ships a transitional period of six years was accomplished, whilst for passenger and freight movement between the islands, eleven years (Psaraftis 1996).[5] Regulation 3577/92 was passed in December 1992 by the EU Council of Ministers. Article 1 of the Regulation specified freedom to provide maritime transportation services within the entire EU to all ships flying the flag of any EU member state commencing from January 1, 1993.

In the immediate aftermath of the negotiations the regulatory framework remained stable with the bulk of change occurring in the structure of the coastal transport market. Market consolidation, fleet modernisation and corporate restructuring are the features of change. The emergence of new private actors has had political

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[3] PMLC, Article 5
[4] YEN Decision, No. 90062/090279
[5] *Lloyd's List*, July 6, 1992.

implications in the composition of business associations and the relations with the state. The erstwhile dominant coalition that opposed liberalisation in the early 1990s was weakened as smaller longstanding coastal companies disappeared through mergers and acquisitions. Over this period, the state and trade unions continued to oppose any proposal to accelerate deregulation of the market.

Certainly, the private sector witnessed major changes in the years following the 1992 agreement. Fleet modernisation was perceived as an imperative in preparing for the opening of the market in 2004. Throughout this period, rumours were circulating of the eminent liberalisation of the sector by the government.[6] Nevertheless, the formal policy of YEN did not indicate any move towards deregulation. Rather, the emphasis was on the renewal and modernisation of the fleet, securing affordable fares and concession prices for various social groups and ensuring that the larger ferry providers would be servicing smaller, unprofitable routes.[7] However, it has been maintained that the Greek government was encouraging shipowners to invest in newbuildings.[8]

The Adriatic Sea corridor linking Greece to Italy became the forerunner of changes to come in the domestic market. This corridor connects the Greek ports of Patras, Igoumenitsa and Corfu to the Italian ports of Brindisi, Bari, Ancona and Trieste. Traditionally dominated by Italian state-owned shipping operators, the route was transformed by EU induced deregulation.[9] Indeed, over the phasing-in period, Greek shipping firms would be granted access to the coastal trades of the other member states. Hence, several private carriers, mainly of Greek origin flocked in, introducing new, modern vessels and superior services.

Gerasimos Strintzis introduced the first 'fast ferry' in the liberalised Adriatic market in 1993.[10] Superfast has since introduced a further eight new vessels into service, four ships on the Adriatic, and similar ships on the Baltic Sea between Hanko in Finland and Rostock, Germany. In May 2002, a further pair of ferries was brought into service connecting Scotland and Belgium across the North Sea (Rosyth-Zeebrugge). In

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[6] *Lloyd's List*, June 26, 1999
[7] *Lloyd's List*, October 6, 1997
[8] Interview of Apostolos Athinaios, CEO of Nel Lines, *Economic Outlook* June 2002
[9] *Financial Times*, June 10, 1999
[10] *The Times*, November 24, 2000

addition, this route is financed by the European Union through the community program PACT (Pilot Action for Combined Transport).[11]

The European market and liberalisation figured prominently in the strategies adopted by these coastal companies. Upon adding two more ferries to their fleet in November 1999, the chief executive of Anek Stellios Zampetakis maintained that "with the purchase of the two ferries we are accelerating the renewal plan of our fleet which is becoming established as a dominant force in the European ferry shipping industry".[12] Similarly, Superfast's Managing Director Alexander Panagopoulos commented after winning the international tender to ply the Scottish routes, that "the Scottish economy will reap many benefits from a direct connection with its European Union partners using our brand new luxury vessels".

Nevertheless, cabotage regulations in Greece obstructed the introduction of faster ferries in the Aegean routes. In September 1997 Attica Enterprises and Strintzis Lines applied to YEN for a licence to introduce a vessel on the route between Piraeus and Heraklion, Crete.[13] Attica Enterprises would be using one if its newbuilding fast ferries, reducing the travelling time by thirty percent. The Cretan lines and particularly Minoan Lines that traditionally controlled the Cretan routes vehemently objected to allowing Attica Enterprises to enter this route. Refusing to deregulate this route, YEN supported the position of the Cretan lines. A meeting was organised between the YEN Minister and the Cretan operators and in its aftermath, the Minster Soumakis stated that "…we are not going to upset stability in coastal shipping in the name of competition".[14] Eventually, YEN did not grant a licence on the grounds that port facilities could not accommodate increased capacity and that the existing operators were providing an efficient service (OECD 2000: 27). In exchange, the current licensee, Minoan Lines promised to continue servicing smaller unprofitable lines and introduce a faster vessel in the coming years.

It was becoming evident to the coastal shipowners that increased competition would require newbuildings entailing much higher capital requirements. An oligopoly was

[11] ANA September 9, 2000.
[12] ANA November 25, 1999.
[13] *Financial Times*, June 10, 1999
[14] *Lloyd's List*, October 6, 1997

emerging as the largest operators merged and acquired smaller family-owned operators. Attica Enterprises, Blue Star Ferries (formerly Strintzis Lines), Minoan Lines, Anek Lines and NE and Hellenic Flying Dolphins (formerly Minoan Flying Doplhins) have gradually dominated the market, by acquiring or merging with smaller companies or obliging them to service secondary itineraries.

Established in 1998, MFD was the product of a merger between Minoan Lines' new technology ferry lines with Ceres Flying Dolphins fleet of hydrofoils and catamarans with a network comprising more than fifty ports. As Minoan Lines was concentrating on the lines between Piraeus and Crete and Greece an Italy, MFD was perceived as a vehicle for entering the Aegean island trade.[15] Minoan Lines, together with long-time associate Pantelis Sfinias and another partner owned seventy percent of the joint venture, while Peter Livanos' Ceres group retained thirty percent.[16] Initially, MFD was granted two controversial licences for the route to the north-eastern Aegean islands of Chios and Mytilini, ending the longstanding monopoly of local NEL Lines.

In contrast to the EU induced movement towards deregulation and competition MFD attempted to incorporate the entire Aegean coastal trade within its operations. Pantelis Sfinias was the person who orchestrated a string of mergers and acquisitions of MFD with numerous smaller companies. In addition, his legitimacy and influence was enhanced as the President of the Union of Greek Passenger Shipowners. Sfinias was able to persuade the smaller owners to offer their tonnage within the larger structure MFD by propagating the formation a strong Greek coastal industry that would deter the entrance of EU ferry operators.[17] Markedly, in 1999 thirty-two ferries were bought from smaller, long-standing companies.[18] Agapitos Express Ferries, Agapitos Lines, Goutos Lines, Nomikos Lines, Moulopoulos, Moiras, Lazopoulos, Stathakis, Tyrogalas, Kavounides, Frangoudakis and Efthymiadis were acquired by MFD. As these were family-owned companies, the agreements were consensual and the smaller owners received MFD stock equivalents of their tonnage.[19]

[15] *To Vima*, April 29, 2000.
[16] *Lloyd's List*, February 19, 2000
[17] Interview of Klironomos, President of Minoan Lines, *To Vima*, February 18, 2001.
[18] *The Times*, November 24, 2000
[19] *Lloyd's List*, February 19, 2000, *To Vima*, December 3, 2000.

Consolidation and fleet modernisation are linked to another change in the corporate practices of ferry operators. In an effort to raise the necessary capital, the five largest operators, Attica Enterprises, Minoan, Strintzis, Anek and NEL are listed on the Athens Stock Exchange. Indeed, this is a break from the practices of the mainly family-owned companies that traditionally serviced the coastal routes. Illustratively, through its Initial Public Offering, the objective of Anek was to raise $67m that would be used to finance its first ever newbuilding, to upgraded its fleet in accordance with Solas requirement and cover working capital needs.[20]

One the other hand, the largest trade union, the Panhellenic Seamen's Federation continued to oppose the deregulation of the market.[21] The main reason cited was that half of its membership was employed in the coastal industry. It was anticipated that increased competition would oblige shipowners to minimise crew costs. Even further, the trade unionists were concerned that YEN would lose its discretion in designating crew composition. With the influx of foreign competitors and flags of convenience, crews from developing countries would be employed, dislocating the Greek crews with their larger wages, pension and health care expenses. In the words of George Velissaratos, president of the country's Masters and Mates Union, "…most of the community ships which will be eligible to compete will be manned with low-waged foreign crews".[22]

3.2 Express Samina and the acceleration of reform

Against the background of fleet modernisation and consolidation, in April 2001 new leadership was appointed to YEN that was more in favour of deregulation. It appeared that cabotage may be abolished earlier than 2004. Nevertheless, YEN, the trade unions and the large Cretan lines remained largely opposed. However, one of the largest accidents in the ferry history of Greece in September 2001 would serve as a catalyst for reform.

This discrepancy between the coastal companies was evident in the internal proceedings of their industry associations. In the aftermath of 1992, according to the

[20] *Lloyd's List*, December 16, 1998
[21] *To Vima*, November 26, 2000.
[22] *Lloyd's List*, January 15, 1998

Managing Director of NEL, the coastal shipping industry had been divided over the competition for licences. Hence, from 1999 to 2001, the coastal industry was effectively without institutional representation. Whilst YEN was developing a set of objectives and policies with the aim of deregulating the sector the coastal shipowners were unable to agree upon a coherent policy towards the YEN.

In the elections for the executive council of the EEEP in April 2000, Minoan Lines and Minoan Flying Dolphins elected two members, the President of both companies, Costas Klironomos and the General Manager of MFD, Nicholas Vikatos. Concurrently, Periklis and Alexander Panagopoulos were elected as well as Gerasimos Strintzis. The presence of the Minoan Group in EEEP was interpreted as the confrontation in EEA moving to EEEP.[23]

Subsequently, the President of Minoan Lines, Costas Klironomos proposed to the EEEP to merge with EEA in the creation of a unified and strong union to represent the interests of Greek coastal shipping.[24] President of EEEP, Andreas Potamianos and EEA, Padelis Sfinias declared their intention to form a united platform for promoting the interests of the coastal industry. This would be in the benefit of all stakeholders in mobilising not only at the national but also the European level.[25]

In response, the Attica Group, Strintzis and ANEK made public their intention to establish a new coastal association to represent their interests. Both Panagopoulos and Sifis Vardinogiannis (largest shareholder of ANEK) made public their intention to create a new association as it was felt that Minoan was attempting to dominate both associations. [26]

Nevertheless, in September 2001 the ferry Express Samina operated by MFD sank off the island of Paros with a loss of eighty lives. This was recognised as the largest ferry accident for over three decades. The public outcry was considerable and the timing seemed appropriate for accelerating the abolition of cabotage. Illustratively, the Greek daily *Kathimerini* wrote that the sinking of Express Samina is “the tragedy necessary

[23] *Naftemporiki* April 4, 2000.
[24] *Express*, April 18, 2000.
[25] *Naftemporiki*, April 18, 2000.
[26] Naftemporiki, April 20, 2004.

to shake the foundations of state protectionism over both trade union interests and big capital in the shipping industry".[27]

However, the accident instigated a broader discussion on the unregulated expansion of MFD in the late 1990s. Criticism was levelled against a close-knit community of Ministry advisers that allowed the MFD do acquire a dominant position in the Aegean coastal trade. [28] Concurrently, the EC Transport Commissioner sent a letter requesting for details on Express Samina sinking. In addition, the EC official Francois Lamoureux of the Transport Directorate sent a letter to YEN to criticise the poor safety standards of the Greek coastal shipping fleet.[29]

Further, the accident had implications for the composition and role of the Union of Coastal Shipowners (EEA). Its president Panteldis Sfinias committed suicide in response to criticism levelled against MFD. As the President of the UCS he had promoted the necessity of consolidation to prepare the industry for the opening to European competition. This was put into practice with the creation of MFD as a vehicle for acquiring smaller shipowners.[30] Stelios Zampetakis, CEO of Anek Lines replaced Sfinias as the President of the EEA. Under this new leadership, the EEA lobbied vigorously at the domestic and European levels on changing provisions of domestic law on the liberalisation of the domestic ferry market. At the EU level the executive committee and general assembly of EEA had decided to challenge the national legislation on coastal shipping through judicial processes.[31] More specifically, the EEA was opposed to the imposition of fare controls by YEN, the Ministry's expressed aim of reducing the maximum age for ferries from 35 to 30 years and provisions related to Greek crew manning of ships.[32]

As a response, the government announced the abolition of cabotage by November 2002 and the dismantling of the system of licences.[33] In securing regular and efficient services for unprofitable routes, the European Union exemption for public service would be utilised in providing subsidies. With respect to the average age of the fleet it

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[27] *Kathimerini*, October 1, 2000
[28] *Financial Times*, December 13, 2000, *Lloyd's List*, December 9, 2000
[29] ANA, October 2, 2000.
[30] *Lloyd's List*, December 9, 2000
[31]*Express*, September 25, 2001.
[32] ANA, August 1, 2002.
[33] *Economist Intelligence Unit RiskWire*, March 29, 2004, *Lloyd's List*, October 20, 2000,

was agreed that it would be decreased to thirty years until 2006. In addition, the government pledged to improve training, including the establishment of private nautical colleges, improved safety and the establishment of a vessel traffic control system for Aegean.[34]

In June 2001, the Greek parliament passed Law 2932 for the ‘freedom of offer of maritime transport services in Greece, and other issues’. According to one interpretation, the law stipulates that the domestic maritime transport market should be open to operators from any of the EU member states (Giannopoulos and Aifandopulou-Klimis 2004). The market would determine tariffs and supply per route, whilst non profitable services would again be available within an open bidding yet the operators would be subsidised (Lekakou, Papandreou and Stergiopoulos 2002, Psaraftis 2003, Psaraftis 2004).

The bidding process is on an annual basis and to be completed within seven months commencing in the November of the previous year. Hence, by the end of May one-year contracts should be authorised and signed for the companies to provided services for the line chosen. Already there is criticism of the bureaucratic and organisational burden of undergoing this procedure entails every year. In November of each year, the government offers a ‘desired’ number of lines to operators from any EU member state. On their side, operators are required to specify the line, frequency, timetable of services and fares. In addition, the operators can propose to provide services on lines that do not belong to the ‘desired’ lines. Accordingly, the government proceeds to approve a first set of services. At this stage, the government does not select between operators and will only intervene if too many operators have requested the same or overlapping time intervals for arriving and departing at ports. Evidently, the ports can refuse these on the grounds of limited capacity and port congestion. Subsequently, a second round is organised for the lines for which offers were not made by operators. If these lines remain unwanted, then the government either abandons the line or on the ground of public service, a third round is organised but this time the lines are heavily subsidised. One of the factors determining the final selection is on the lowest subsidy required. In addition, Law 2932 entails the reduction of the maximum age of ferry

[34] *Lloyd’s List,* October 9, 2000, *EIU RiskWire,* May 13, 2003, *To Vima*, June 25, 2000.

ship from thirty-five years to thirty years by 2006 (Giannopoulos and Aifandopulou-Klimis 2004, Psaraftis 2002, Psaraftis 2003).

Although the Law was presented by YEN as a move towards the deregulation of the sector, several clauses allow for the YEN to retain an influential role. YEN reserves the right to refuse a licence to an operator. In addition, citing public service reasons, YEN can oblige ferry operators to provide services in unprofitable routes. Although some flexibility is recognised in the determination of fares, YEN continues to determine concession fares for a variety of social groups. Furthermore, any vessels operating in the coastal market are obliged to employ Greek crews or alternatively demonstrate Greek language proficiency for non-Greek crew members.[35] Both the shipowners who opposed liberalisation and those who supported it criticised Law 2932 as being hastily drawn and for the lack of consultation with the relevant stakeholders.[36] Indeed, the intention was to further deregulate rate fixing, itineraries and crew composition.[37]

Moreover, the application and monitoring of the new system would be conducted a new authority, the Monitoring Authority for Inland Maritime Transport (RATHE). [38] Certain commentators have described RATHE as an institution allowing the European Commission to intervene in the regulation of the coastal industry.[39] More specifically, RATHE is authorised to ensure that competition in line with EU legislation is conformed to and to prohibit cartel practices in the setting of prices or routes. Offenders must provide explanations for their practices and RATHE has the authority to impose fines. According to the legislative framework, the members are appointed by the YEN Minister for periods of five years. In addition, the appointment of the President and Vice-President requires the opinion of the Maritime transport issues Committee of the Parliament.[40] The existing YEN bureaucracy was sceptical of the new authority as its responsibilities were seen to overlap with the Ministry's portfolio. However, private actors such as Attica Enterprises and Strintzis Lines that had been marginalised from coastal shipping policy welcomed the new institution. Expressly,

[35] *Lloyd's List*, March 7, 2001
[36] *Transport Europe*, November 16, 2000
[37] *To Vima*, August 8, 2002
[38] RATHE Official Website, http://www.rathe.gr/pages/main.htm
[39] *To Vima*, February 18, 2001
[40] *Lloyd's List*, March 7, 2001

Alexander Panagopoulos, Managing Director of Superfast Ferries approved of RATHE as it represented the entirety of the industry.[41]

Any pending applications for licences would be granted as long as necessary technical requirements were fulfilled. Indeed, Attica Enterprises and Strintzis Lines had five pending requests for five newbuildings. After several failed attempts to penetrate the Aegean inter-island market, dominated by the Crete-based Minoan Lines, Attica's Superfast Ferries has obtained licences from the government to operate services on the important Piraeus-Crete and Piraeus-Rhodes routes. A further licence has gone to Strintzis Lines to commence Strintzis' second service connecting the mainland with the Cyclades.[42] Minoan Lines and Anek vehemently opposed the provision of licences to other ferry operators. The president of Minoan Lines, Klironomos accused the YEN Minister C. Papoutsis of collusion with the ownership of Superfast ferries. Even further, he publicly threatened that Superfast Ferries not to “dare” to commence its service to Crete.[43] He went on to call upon Cretans not to use the Superfast ferries in the interest of Crete.

In May 2002, the EC gave its first formal response to the complaints of the coastal shipowners regarding Law 2932. Indeed, the EC acknowledged that the shipowners’ responses were valid, particularly in relation to the system for administering licences to coastal companies. However, it was noted that the EC could not initiative any legal procedures against the Greek government with respect to the implementation of Regulation 3577 before January 1, 2004 with the end of the derogation period (Psaraftis 2003).

3.3 The arrival of January 2004

The arrival of the formal liberalisation date on the 1st of January 2004 issued forth further controversy and bargaining over the terms of liberalisation. Indeed, the coastal shipowners through the EEA are pushing for the immediate implementation of EU legislation in liberalising the coastal market. On the other hand, the seafarers’ unions and the islands communities are mobilizing against these measures. The EC is siding

[41] *To Vima*, August 8, 2002
[42] *Financial Times*, December 13, 2000
[43] *To Vima*, October 29, 2000

with the shipowners whilst the state is trying to preserve the role of the YEN in determining fares and ensuring that all island communities are serviced by the coastal transport system.

In an April 2005 statement, the EEA insisted on the immediate implementation of EU Directive 3577/92 and the abandonment of the current legislation that is obstructing the smooth operation of coastal companies and undermining the prevalence of market principles and fair competition in the sector.[44] The EEA accused YEN of not proceeding with full liberalisation of domestic market. In May 2004, after a General Assembly meeting, it was announced that the member companies of the EEA would be proceeding with a so-called self-liberalisation of the coastal transport market. It was made clear that this decision rested on the legal superiority of EU Regulation 3577/92 over the relevant national legislation.[45]

In June 2004, the EEA sent a memorandum to YEN detailing the positions and requests of its members. To cover the increased costs related to fuel and bunkers, the shipowners estimated that an average 15% increase across all types of fares would be required. In addition, it was calculated that current levels of fares were 62% lower than the entitled due to arbitrary reductions over the period from 1993 to 2003.[46] The requests of the EEA are the liberalisation of the domestic market according to EU legislation, the abolition of compulsory special and discounted fares in line with the requests of the European Commission, the application of Community Directives 2003/23 and 2003/24 in the case that maximum age for vessels was revoked and the reconsideration of state aid in line with Community guidelines.[47]

Further, the EEA is in a position to impose internal discipline. The executive council made clear that any member company that would submit the letters of guarantee would be automatically expunged from the association.[48] In addition, the EEA is pushing for the abolition of maximum vessel age at 35 years. It has been noted that by 2010 approximately sixty vessels must be withdrawn from active operation if the age

[44] *Naftemporiki*, April 22, 2005.
[45] *Naftemporiki*, May 27, 2004.
[46] *Naftemporiki*, July 1, 2004, November 25, 2004, June 13, 2004.
[47] *Naftemporiki*, July 16, 2004.
[48] *Naftemporiki*, October 21, 2004.

limit were to be retained. The EEA remains consistent in requesting the free management and operation of coastal vessels and fair competition after the abolition of cabotage commencing from January 1, 2004.[49]

The coastal shipowners unilaterally announced that they would be increasing fees by ten percent. The YEN Minister Kefalogiannis described such actions as illegal and in contravention to national legalisation and specifically law 2132/2001. Notably the Minister claimed that unilateral actions are not commended especially without prior consultation with YEN. However, the President of the EEA, Sarris pointed out that the "de facto, European legislation overrides member state legislation". The formal position of the EEA is that the Greek state is breaching European laws and Directives in preserving an approach of state intervention in the market.[50] In addition, it was pointed out that the member companies had to preserve shareholder value.[51]

Concurrently, after holding the position of Secretary General of EEEP from 1997 to 2003, Alexandros Panagopoulos president and managing director of Superfast ferries played an instrumental role in reviving the High Level Ferry Group within the European Community Shipowners' Association (ECSA). In June 2003 he was elected President of the Group. In the words of Panagopoulos, the objective of the group is "…is to have an active role in shaping issues that concern passenger shipping in the European Union".[52] The Group will be representing a number of EU shipping companies.[53] Aside from Superfast the only other Greek owned company to join is the G. Yannoulatos, the Chairman of Hellenic Mediterranean Lines.

Indeed, as it had explained to the coastal shipowners, with the advent of 2004, the EC was in a position to legally pursue the liberalisation of the Greek coastal transport market. On February 3, 2005 the Vice-President of the Commission Loyola de Palacio sent a letter to Ministries of Foreign Affairs and YEN. In this letter the Greek state

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[49] *Naftemporiki*, July 25, 2004.
[50] ANA, July 24, 2004, ANA, May 28, 2004.
[51] *Naftemporiki*, June 3, 2004.
[52] *Naftika Chronika* June 12, 2003.
[53] The HLFG comprises the following member companies: Brittany Ferries, Color Line AS, Corsica Ferries, DFDS Seaways, Hellenic Mediterranean Lines, Irish ferries, P&O Ferries, Rederi AB Gotland, Scandlines, Sea Container Ferries, Sea France, Silja Line Oy, Société Nationale Maritime Corse-Méditérannée, Stena Line AB, Superfast Ferries, TT-Line, Viking Line AB.

was heavily criticised for not fulfilling its obligations arising from Directive 3577/92 on the free provision of maritime services within member states. Also, the recognition of public service lines was put into question as the Commissioner stated that each service should be judged on an individual basis. In addition, explanations were requested with respect to Greek legislation on the issues of imposing a maximum age on vessels, certificate of Greek language for EU seafarers and the obligation of shipowners to appoint a representative in Greek and establish a representative office. YEN requested an additional month in order to provide an explanation for not opening entirely the domestic coastal industry as of January 1, 2004. The formal deadline was April 5, but YEN asked for the date to be moved to early May.[54] It was reported in the press that the YEN Minister had telephone discussions with EEA.

The Commission sent a second letter of formal notice to YEN in April 2005 regarding the inconsistencies between law 2932/01 and community legislation.[55] In the letter it was noted that the interpretation of YEN regarding the EU Directive was restrictive with respect to the crew numbers and the provision of services by maritime companies. In addition, it was noted that Presidential Decree 101/95 on the regulation of issues such as ship equipment, percentage of economy class passengers the pricing of food on board were inconsistent with EU legislation. The shipowners agrees that free market principles should be applied to those coastal lines that remain commercially viable. The remaining lines should be seen as public service according to the stipulation of national and EU legislation.[56]

On the other hand, YEN insists on articulating the provision of maritime transport as a ‘social cohesion’ issue. Therefore, amongst a number of points of contention between the state and organised shipping continue to be crew composition, the fixing of rates, third party dues built into fares, concession rates for various social groups as well as the servicing of small islands throughout the year.[57] In responding to the Transport Commissioner de Palacio, the Secretary General of Yen, Ioaanis Tzoanos maintained that the provision of coastal transport is not an instance of perfect competition. Rather, it naturally tends towards an oligopoly and instances of destructive

[54] *Naftemporiki*, March 29, 2004.
[55] *Naftemporiki*, April 25, 2005.
[56] *Naftemporiki*, March 29, 2004.
[57] *To Vima*, July 04, 2004, *Lloyd’s List*, July 14, 2003, *To Vima*, 03 October 2004.

competition and market failure will result in many small island communities being neglected.[58] This would be compounded by the seasonal character of the market. Hence, YEN claims that if the market was entirely deregulated private operators would gravitate towards providing services in the summer months. Heavy subsidising would be required to attract shipowners in operating their vessels during the winter months.

4. The EU, Greek politics and coastal shipping

The effect of the negotiations in the period between 1986 and 1992 was minimal on the domestic institutional framework. Over this period and until the mid-1990s, the veto points, YEN, coastal shipowners associations, the trade unions and local politics were opposed to the liberalisation the market and deregulation and any change to the existing system of licences. The only exceptions were individual coastal companies, namely Attica Enterprises and Strintzis Lines. Hence, in a unitary state with weak integrated leadership, the convergence of the veto points against reform denoted that the adaptation pressures that were mediated through the EU would not effect much change to the domestic institutional configuration. Even if EU material and immaterial resources were becoming available, the domestic actors would not recognised these to effect domestic change.

Initially, it was the expectation of reform in January 2004 that pawned changes in the structure of the industry and business practices of the coastal shipowners. These economic changes had significant political implications in resulting in a few large private actors that supported and promoted reform individually and through their reconfigured industry associations. Corporate restructuring, fleet modernisation and consolidation through mergers, acquisitions and joint ventures changed the scene within the coastal market. In addition, the availability of capital through the growing equity market provided further opportunities for fleet expansion and market growth. If the EU induced expectation of the market opening did not exist, Attica Enterprises would have been prohibited from gaining market access. Indeed, the European Commission continuously reminded the domestic actors of the 2004 deadline. Hence,

[58] *Naftemboriki,* May 21, 2004.

as Attica Enterprises succeeded in the Adriatic market and by raising capital in the buoyant Athens Stock Exchange it obtained the financial resources to purchase a controlling part of one of the major actors in the domestic market, Strintzis Lines. The latter was also in favour of liberalisation so this may have facilitated the agreement between the management of the two companies. Concurrently, actors opposing liberalisation, such as the trade unions began to recognise the political significance of the EU by seeking direct contact with the European Commission.

Nevertheless, the system of licences remained robust well into early 2000. This is exemplified by the attempts of Strintzis Lines and the Attica Group to secure licences from YEN to operate vessels on the Cretan routes. Yet, the relationships between YEN, the Cretan shipping companies and local politics, underpinned by bureaucratic clientelism was too strong to allow for competing companies to enter the lucrative Cretan lines. Similarly, Sfinias was not halted by the Greek state as he attempted to maintain the status quo by internalising it within Minoan Flying Dolphins through an aggressive spree of acquisitions and joint ventures. Against this background, the Express Samina accident accelerated the liberalisation of coastal shipping although it remains inconsistent with EU legislation.

As the deadline for January 1, 2004 approached, there is considerable evidence of usage of EU material and immaterial resources. Material resources in the form of EU institutions and policy instruments were used by the domestic actors in shaping domestic political results. Direct contacts between domestic industry associations and EC officials, particularly the Transport Directorate as well as MEPs were pursued. After 2004, the coastal shipowners have legal resort at EU judicial institutions. Panagopoulos, the Managing Director of Superfast Ferries revived the High Level Ferry Group within the ECSA as an indirect channel of contact and influence with the EU Commission and Parliament. Similarly, the state used the EU institutions in shaping the domestic political game. Illustratively, in constraining the opportunities for the Greek coastal shipowners, the YEN Minister sought the adoption of a maximum vessel age at the EU level. Similarly, alongside the traditional means of protests, strikes and consultation with government ministers and state officials, the trade unions sought contact with the EU Commission and Parliament. In tandem, the indirect route through European level trade unions was utilised in seeking to halt the liberalisation. Further, the islands communities organised committees at an island and Panaegean level, planning protests, utilising the Ministry of the Aegean in representing their interests at the EU level and mobilizing through European island community unions.

There is a marked increase in the usage of policy instruments, particularly after the adoption of Law 2932 on the liberalisation the domestic market. The coastal shipowner associations cited innumerable times the EU Directive 3577/92 in statements, speeches, declarations, memoranda and letters in pursuing an open market in the provision of coastal transport services. In parallel, EU legislation was used in expanding their commercial activities beyond Greece and most notably successfully dominating the Italy-Greece sea routes. To a lesser extent, YEN used the same Directive in grounding its intervention in fares and the 'thin lines' to ensure social cohesion across the Greek territory. In the same vein, the trade unions and the island communities are making reference to broader EU guidelines and declarations in favour of employment and the protection of island communities.

Regarding immaterial resources, there is primarily evidence of the usage of legitimizing resources by domestic actors. In the aftermath of the consolidation of the industry the government, coastal shipowners, trade unions and local committees used the notions of 'European interests', 'European constraints', 'European economy', 'European competition' and the 'European Idea' in furthering their interests. The usage of the EU as a legitimizing device was in order to further reform as well as preserve the status quo.

Thus, these economic and regulatory changes have spawned change in the exisiting model of state corporatism. A weakening in the preferential ties between the state and private actors can be witnessed. Domestic actors that were once excluded from state corporatist arrangement such as newly established companies and the island communities have more resources available in influencing policy-making.

On the one hand the state has become more inclusive as the longstanding machine politics are being dismantled. This evinced in the internal reform of YEN and the establishment of RHATE, a more transparent and representative body for the formulation of coastal shipping policy. Indeed, Alexander Panagopoulos, Managing Director of Superfast Ferries approved of RATHE as it represented the plurality of interests in the industry.[59] In addition, the system of licences that underpinned a bureaucratic clientelistic arrangement encompassing the YEN, traditional coastal shipping companies and local politics being replaced by a more transparent and market based system of allocating routes. In addition, small island communities such as Ikaria can proceed with establishing local companies to serve their transport needs, an option that did not exist under the previous regulatory framework.

It is possible to contend that changes have occurred to the patterns of public-private relations. Importantly, the formal veto points (YEN) has been internally reformed and a new authority RHATE allows for the complete articulation of the interests of the coastal industry. This entails the dismantling of longstanding relations between YEN with certain shipowners and local interests. Also, the industry's associations are not controlled by the traditional operators offering another channel of influence for operators that were erstwhile marginalised. Hence, domestic and even European ferry operators as well as consumer groups and shippers are able to articulate their interests both at the national and European levels. Indeed, this is demonstrated in the current disagreement over the degree of deregulation. However, the opposing actor constellations are more evenly represented and the EU may tip the balance in favour of those actors seeking further deregulation. Five years ago this would have been quite improbable.

Thus, over the longer period of nearly one decade, state corporatism in coastal shipping industry has weakened. The longstanding machine politics that characterised the industry are being dismantled as new actors muscled into the political process whilst existing private actors either disappeared or underwent restructuring. Alongside the top-down effects that the European integration entails, EU material and immaterial resources were made available to the domestic actors. Regardless of their position on the liberalisation of coastal shipping, domestic actors have recognised, legitimised and used the EU in the formulation of domestic coastal shipping policy.

[59] *To Vima*, August 8, 2002

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