Volume 3, Number 1, January 2010

JOURNAL OF
Comparative Politics

ISSN 1338-1385

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Attila ÁGH

RE-IMAGINING REGULATION FOR DEMOCRATIC POLITICAL SYSTEMS:
LESSONS FROM IRELAND

Neil COLLINS

DEMISE OF POLITICAL PARTIES:
AN ANALYSIS OF COALITION-BUILDING ON THE LOCAL LEVEL IN SLOVENIA

Miro HAČEK, Marjan BREZOVŠEK and Irena BAČLIJA

JAPAN MOVES CLOSER TO BECOMING A TRUE DEMOCRACY:
MOVING FROM A ONE-PARTY TO A TWO-PARTY SYSTEM WITH ALTERNATION IN POWER

Ronald J. HREBENAR

THE BALKANS AS A PART OF THE MEDITERRANEAN REGION:
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Design

Kink Creative, New York, www.kinkcreative.com

Journal of Comparative Politics is published twice a year, in January and June.

Table of Contents

4 THE RENEWAL OF THE EU DEMOCRACY:
FROM MULTILEVEL GOVERNANCE TO GLOBAL GOVERNANCE
Attila ÁGH

21 RE-IMAGINING REGULATION FOR DEMOCRATIC POLITICAL SYSTEMS:
LESSONS FROM IRELAND
Neil COLLINS

44 DEMISE OF POLITICAL PARTIES:
AN ANALYSIS OF COALITION-BUILDING ON THE LOCAL LEVEL IN SLOVENIA
Miro HAČEK, Marjan BREZOVŠEK and Irena BAČLIJA

59 JAPAN MOVES CLOSER TO BECOMING A TRUE DEMOCRACY:
MOVING FROM A ONE-PARTY TO A TWO-PARTY SYSTEM WITH ALTERNATION IN POWER
Ronald J. HREBENAR

70 THE BALKANS AS A PART OF THE MEDITERRANEAN REGION:
POLITICAL-HISTORICAL CONTEXTUALISATION OF THE RECENT SHIFT IN REGIONAL GOVERNMENTAL RELATIONS
Ana BOJINOVIĆ FENKO

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THE RENEWAL OF THE EU DEMOCRACY:
FROM MULTILEVEL GOVERNANCE TO GLOBAL GOVERNANCE

Attila ÁGH[1]

The global crisis has shaken all conventional wisdoms, including the faith in the final victory of democracy and market economy. Unlike in the early nineties when the ruling paradigm was "the end of history" (with democracy and market economy in harmony) the late 2000s have not produced the end history but the end of this naive concept due to the global crisis. More and more people consider democracy and market as "strange bedfellows" in journalistic terms. Similarly, in the early nineties the global and national developments seemed to converge in a unicentric global world order under the wise and tough paternalistic rule of the US, and by the late 2000s they seem to diverge more and more in a growing global conflict, instead. The leading representatives of the European political science have formulated this contrast very clearly. Yves Mény in his lecture "Democracy in Troubled Times" (ECPR Lisbon joint sessions, 16 April 2009) has revisited his former concept of democracy from the late nineties. After the collapse of the bipolar world, as he mentioned in this public lecture, he had spoken about the unchallenged supremacy of both market and democracy paradigms. Thus, at that time people could be tempted to agree with the "end of history" theory, but by now it has been "falsified by the recent economic and political development of the world". The contemporary challenges of democracy – as Mény has summarized the new paradigm - have proven that democracy and market is an "unhappy couple", referring to the term of Robert Dahl. Many analysts think nowadays that there is a "bumpy road ahead", or "Europe is in reverse" – this is the new mainstream thinking, based on democratic deficit and global governance deficit. In this paper I argue against the new mainstream thinking with some cautious optimism. My basic argument is that (1) there is more global US deficit than EU deficit, since the EU as soft, civil

[1] Prof. Attila Ágh, Corvinus University, Budapest. The paper was prepared and presented at the XX. Slovenian political science conference in May 2009.

superpower has proven its superiority to the US global strategy advocated by the former Bush administration that has recently been radically changed by the new Obama administration. This gives a hope that the Global Challenge can be used to improve the global governance and to get closer to the "effective multilateralism" as the EU terms its global strategy. Furthermore, (2) in the EU there is more governance (policy) deficit than democratic (politics) deficit but the EU has taken big strides in combining democracy with good governance by promoting multilevel governance (MLG). Multilevel governance may become the new paradigm not only for the EU "domestic order" but for global governance as well.

Triple crisis: how the three crises have produced a cumulative crisis

The global crisis has broken out "externally" when the "internal" institutional crisis in the EU has reached its peak and, in addition, the new member states have still been in their post-accession crisis. This cumulative crisis has unleashed a process of "ideological" change or change of paradigms in both the academic social science and the conventional wisdom of population at large. The character of these crises can be described as follows:

I. The global crisis is the accumulation of long term negative tendencies in the global economy and in its financial system, overburdened by the deficiencies of the US over-consumption and over-extended hegemony (preventive wars, US-EU tensions). It has triggered a radical change in the world system and in its subsystems, and it can be analyzed in two dimensions: (1) the global crisis has unfolded in the subsequent periods of the financial, economic, social and "ideological" crises and (2) the global crisis has overlapped with the EU institutional crisis and with the post-accession crisis in the new member states and it has become a cumulative crisis at three levels. However, there have been so far no reliable forecasts about the timeframe and the full impact of the global crisis on the EU or on its member states. The global and/or European crisis management has only taken the first, rather controversial steps but it can be already seen that the EU heads for a deepening social crisis, so the crisis management has to turn more and more from the economic governance to social governance.

II. The recent EU institutional crisis has emerged from the yawning gap between the EU institutions and the EU community policies. There has been a robust need for institution-building at the highest level as "metagovernance" stemming from the emerging new common policies – energy, climate change and innovation – and/or from the intensification of the "traditional" policies like CFSP, home and justice affairs ("Stockholm Program", December 2009) and European Neighbourhood Policy. The new situation has given rise to a growing tension between the related – missing or weak – institutions and the – newly emerging – common policies. At the same time the MLG type of European governance has been put high on the institutional agenda with its layers as macro-, meso- and micro-governance.

III. After the entry the new member states have recently been in a post-accession crisis due to the pressure of the new EU socio-economic and institutional adjustments. First of all it applies to the requirements for the introduction of the euro with its convergence program. However, in the new member states - after the deep economic and political systemic changes - the social systemic change has still not yet fully completed and the populations already have a "reform fatigue". There have been many losers of systemic change in these states but even beyond the direct losers the large part of populations have had an over-expectation that has resulted in a massive disillusionment or malaise. Hence, the "tsunami" or monster-waves of the global crisis have shaken the new member states most drastically, and their full impact cannot be seen as yet. The main problem is that the contribution of the old member states to the ECE developments - that was considered as basically positive before the global crisis as a large scale investment (FDI), the modernization of the banking system through ownership and providing links to Western markets - has turned sour or even negative with the global crisis. Due to the global crisis the Western firms and banks have victimized their Central European enterprises by withdrawing their capital and drastically changing their production capacities in the new member states. In such a way, the biggest losers in the global crisis are those new member states that have been most West-dependent and unilaterally developed, e.g. in the car making industry. Anyway, this victimization process has aggravated the post-accession crisis and it will be a long lasting burden in the old-new states' relationship.[2]

Thus, three types of "crisis" can nowadays be observed: first, deep systemic crisis in the global world as the collapse of the financial and economic world order, second, the "creative" institutional crisis as the usual way of development in the EU, and finally, third, the post-accession crisis in the new member states as the unavoidable but transitory contradiction of the further Europeanization within the EU. Actually, the new members are the main losers of the triple crisis, since the global financial crisis has broken out when they have been in the most vulnerable situation in their EU adjustment process. So it deteriorates significantly their catching up efforts to reach the "effective membership" but pushes them brutally in their own "creative" crisis of radical reforms. Actually, some older member states have developed their own domestic crisis like Spain and Ireland, so the post-accession crisis as a special regional case has been more and more extended in the EU to a series of the country-specific crises.

The triple crisis management in the EU began in the autumn of 2008 when the crisis management of the ratification process was extended to the global crisis management, in which the new member states already needed a special treatment. Since then there has been a "permanent summitry" in the EU as an institutional reaction to the global crisis, so far without meaningful results but it has produced a serious trouble in the workings of the EU institutions. Furthermore, in the first half of 2009 the EU is facing the problem of the European Parliamentary elections that has raised the issue on the role of the EP to overcome the institutional crisis, in its relationship to the Big Triangle of the EP, Council and Commission. European Parliament appears here as a panacea but as one can see from the latest Eurobarometer (EB 71), there is a missing awareness of the election date, weak interest in participation and low level of information about the EP in the EU citizenry. Finally, recognized or not,

[2] See the detailed current data in *Observatory on Europe 2009*, in the chapter *Enlargement evaluation and the "New Europe" comparative analysis*, or in the Bertelsmann Reports.

the old-new member states divide has come back in the EU with a vengeance, overburdened by the special crisis of some old member states like Spain or Ireland.

First conclusion: the EU has become the trendsetter in global politics
All in all, the current global financial crisis has demonstrated that the regulated EU market economy has advantages compared to the US "pluralist" model. The US unilateral hegemony has been given a fatal blow by the collapse of the global financial system that followed the failure of the US global security policy during the Bush administration. It has been so far some opening by the new Obama administration, but for various reasons the US as the core country of the world system can still continue a crazy drive in world economy and politics for decades. Anyway, the declarations of the Obama administration are much closer to the former and present EU model of soft or civil superpower than to the policy line of the Bush administration. Still the effective global governance is missing, the regulatory crisis hits not only the financial markets but also the real economy and the even more "real" social processes. Although the US unilateral hegemony has come to an end and a new period of world order has begun, this new world order as yet has only some obscure contours. The Transatlantic divide is still very strong[3] but the EU has regained the initiative and the US has been forced to change its global strategy radically.

The EU history has some milestones that indicate the radical changes in the world system. Its first period of the founding six countries ended with the enlargement to the core Europe after 1973 to EU12 and the second period with the collapse of the bipolar world, which produced the Maastricht Treaty. Obviously, the third period has come to an end with the global crisis that will produce a "new" EU by 2010/11 in both the institutional structure and the policy universe. However, no doubt that the EU needs new and brave visions for the next decade, for its fourth period with future-oriented definitions for both institutions and policies.

The impact of the global crisis on the EU, in fact, has confirmed the main thesis of Stefano Bartolini that the European nation states need the EU because there are many problems in the contemporary world that they could not cope with separately, therefore they have to turn to the solution in a transnational polity. As Bartolini[4] notes, "European integration can therefore be historically interpreted as a response by the national elites to the weakening of the European state system and the new pressure brought to bear by capitalist world development." Nowadays, it is more valid than ever before, since the global crisis has proven that the member states cannot solve their problems alone, so under the pressure of the current global crisis they have to react again, as Bartolini's title suggest, to the crisis by "Restructuring Europe".

From governance to the multilevel and multiactor governance

The performance crisis in the EU
The main message of this paper, as mentioned above, is that in the EU the

[3] Alberto Martinelli (ed.), *Transatlantic Divide* (Oxford: Oxford University Press, 2007).

[4] Stefano Bartolini, *Restructuring Europe. Centre formation, system building and political structuring between the nationa state and the EU* (Oxford: Oxford University Press, 2005), 366.

deficit is bigger in the effectiveness than the often mentioned democratic deficit. Therefore, it is more important and urgent in the EU to reform the "performance" than "democracy", although it may be even more important to emphasize that in the participatory democracy it is in fact impossible to separate them, since the active democratic "participation" itself is the most important factor of "performance". It has been the guidelines of the European governance since the seminal *White Paper on Governance*[5] that was already prepared also from the MLG side,[6] although this dimension has come to the fore just in the second half of the 2000s. But as an analytical device, I will try to separate "democracy" (politics) and "performance" (policy) relatively in order to point out how to increase the "performance" or effectiveness through the MLG structures, which is high on the agenda everywhere in the EU[7][8]

The new member states in East-Central Europe (ECE) have traditionally been centralized unitary states, with some democratization of macro-politics. Even the EU accession and post-accession has produced a counter-productive process because it has led to the re-centralization of the state under the EU performance pressure. The preference of the Commission has also been to negotiate with the central governments and not with the plurality of the weak, ignorant and non-representative social and territorial actors. Therefore, in the post-accession structural accommodation process of the new member states some concentrated efforts have been necessary for MLG type of public administration reforms. This is the political precondition to overcome the post-accession crisis in the new member states that has recently been aggravated by the global financial crisis. The experiences of these reforms can be transferred to some extent to the West Balkan and the East European regions. Basically, the West Balkan states and the new neighbours have similar problems to a great extent with the new members: in both cases there is an institutional "Bermuda Triangle" at the level of meso-politics where the top-down efforts of Europeanization and Democratization "disappear". In a word, the next step of democratic institution building in the East-Central European new member states as well as in the both the Balkan and the Eastern new neighbour states is to creating or further developing the multilevel and multiactor democracy that can be an institutional channel for their bottom-up Europeanization and Democratization.[9]

Multiactor democracy and capacity building in meso- and micro-politics are the two sides of the same coin, thus Democratization and Europeanization demand equally the development of the MLG structures, since with this kind of Europeanization the emerging democratic institutions will have also a higher performance. Governance and communication have been two pillars of the performance oriented EU democracy that have been elaborated in the two *White Papers* of the European Commission in 2001 and 2006. The "governing

[5] *European Governance, A White Paper* (Brussels: European Commission, 2001b).

[6] *Multilevel Governance: Linking and Networking the various regional and local levels* (Brussels: European Commission, 2001a).

[7] See *Observatory on Europe 2009: Improving European Integration and Competitiveness* (Brussels: The European House, 2009) and *Sustainable Governance Indicators 2009: Policy Performance and Executive Capacity in the OECD* (Gütersloh: Verlag Bertelsmann Stiftung, 2009).

[8] The performance crisis appears most markedly in the Lisbon Strategy but in this paper I do not want to embark on this topic in details, just making some references.

[9] As I indicated in my former paper (Ágh, 2008) there is a „treasury of the ECE reform experiences" that can be applied in the WB and EE states, even its failures and delays are very instructive, not only its successes and achievements.

the EU" has been the basic democratization program of the EU for bridging the gap between citizens and institutions. It has to take place at many levels and by many actors as multilevel governance and multiactor democracy in order to mobilizing, connecting and empowering the state and non-state, public and private actors. Hence, the full "social" policy cycle (communication – participation – decision) has to be taken into consideration for the merger of the governance and communication strategies. The *White Paper on Governance* already formulated the program of the extension of representative democracy through the multilevel governance, i.e. overcoming the problems of democratic deficit caused by missing participation through the mobilization of citizens and the empowerment of an organized or "articulated" society. The basic statement in the 2001 document is the following: "Reforming governance addresses the question how the EU uses powers given by its citizens. It is about how things could and should be done. The goal is to open up policy-making to make it more inclusive and accountable. (…) The quality, relevance and effectiveness of EU policies depend on ensuring wide participation throughout the policy chain – from conception to implementation."[10] This statement admits that the EU was an elite business, but in the nineties the masses appeared on the scene because they were concerned by the extension of policies, therefore after Maastricht Treaty also the extension of the representative democracy has become absolutely necessary. The democratization program along the lines of governance was continued in 2005 by the "Plan-D". [11]

The starting point of the 2006 document on communication seems to be formulated in the same vein: "A partnership approach is essential. Success will depend on the involvement of all the key players – the other EU institutions and bodies; the national, regional and local authorities in the Member States; European political parties; civil society."[12] The 2006 document has also emphasized the involvement of the stakeholder forums, specific interest groups, or the decentralized approach in general. Under the title of "empowering citizens" this document has outlined three steps: (1) improving civic education, (2) connecting citizens with each other and (3) connecting citizens and public institutions but it has been done at a very abstract level. Although the document has mentioned the actors – "professional and sectoral organizations" and the levels - "national, regional and local dimension" -, this has still not exposed the issue of "empowering" the citizens. European citizens come from widely diverse social and cultural background, therefore "empowering the citizens" means actually "nesting" them, i.e. involving their interest organizations in the policymaking process. Completing the development, the 2008 *Debate Europe* document has mentioned the participatory democracy – "The Plan D civil society projects showed that participatory democracy can successfully supplement representative democracy."[13] Following the logic of these basic documents the European Commission now prepares the *White Paper on Multilevel Governance* that will be published in June/July 2009.[14]

[10] *European Governance, A White Paper* (Brussels: European Commission, 2001b), 8, 10.

[11] Plan-D for Democracy, Dialogue and Debate (Brussels: European Commission, 2005).

[12] *White Paper on a European Communication Policy* (Brussels: European Commission, 2006), 2.

[13] *Debate Europe – building on the experience of Plan D for Democracy, Dialogue and Debate* (Brussels: European Commission, 2008), 5.

[14] On the EU communication policy as part of democratization campaign see Fossum and Schlesinger (2007). The preparations of the White Paper on Multilevel governance began in the framework of the Committee of Regions (CoR) that organized its "Ateliers" for preparing the *Green Paper* then the *White Paper*. I have participated in this process and my paper relies on the results of this expert process. By the end of April 2009 the draft of the White Paper has been made ready and in the Annex I quote some of its basic tenets.

Basically, the EU itself has emerged as a multilevel polity, as an organization in which the central executives ("metagovernance") govern by sharing responsibility and authority with other supranational and subnational actors. Fritz Scharpf[15] has clearly pointed out that the main failure of the theoretical literature is in the confrontation of intergovernmental and transnational models, since "the multi-level polity of the European Union is conceptualized in a single-level of intergovernmental interactions", and these single level models are "ill suited to deal with multi-level interactions". Even within the member states there is a plurality of the lower level, distinct governing modes, therefore "the coexistence of, and the interaction between, distinct levels of government" presupposes a "fusion" of governing functions as a structure of network governance. Thus, in the analysis of the EU polity one has to "take account of the multi-level nature of European institutions and governing processes."[16] In his Conclusion the MLG appears as the basic institutional feature of the EU: "The European polity is a complex multi-level institutional configuration which cannot be adequately represented by theoretical models that are generally used in international relations or comparative politics. (…) these difficulties could be overcome by a modular approach using a plurality of simpler concepts representing different modes of multi-level interaction that are characteristic of subsets of European policy processes." Thus, "the same conceptual tools should also be useful for the analysis of subnational, national, transnational and other supranational policy-making institutions."[17]

Since the late nineties the MLG concept has become the mainstream approach in the European Studies from the international relations to the regional research, as the seminal book written by its prominent authors has demonstrated.[18] The idea of MLG type of democratization with public administration reform has also been developed in several works of Guy Peters[19]. It has been extended after the Commission's *White Paper on Governance* to several policy fields, including employment policy.[20] Arguing for the utility of the concept of MLG, also Ian Bache and Matthew Flinders present this concept as a theoretical response to the emergence of the multilevel European Union. This process has led to the differentiation (dispersal) of authority, both vertically to the new levels of governance and horizontally to the new, non-state actors with increased interdependence in both. The MLG concept has proven to be useful to capture these complexities and to overcome the rigid distinctions between domestic and international politics in order to analyze the implications of the growing interactions between governments and non-state actors across the various levels. Ian Bache and Rachel Chapman in a recent paper[21] have further elaborated MLG concept at the subnational territorial levels. They point out that "The literature on multilevel governance has typically focused on contestation

[15] Fritz Scharpf, *Notes Toward a Theory of Multilevel Governing in Europe* (Munich: Max-Planck-Institut, 2000), 6.

[16] Ibid., 7.

[17] Ibid., 26.

[18] Ian Bache and Matthew Flinders (ed.), *Multi-Level Governance* (Oxford: Oxford University Press, 2000).

[19] See recently Bernadette Connaughton et al (ed.), *Politico-Administrative Relations at the Centre: Actors, Structures and Processes Supporting the Core Executive* (Bratislava: NISPAcee, 2008), 8–11.

[20] See Marisol Garcia et al, *The European Employment Strategy: An Example of European Multi-level Governance* (Brighton: Sussex European Institute, 2004).

[21] Ian Bache and Rachael Chapman, "Democracy through Multilevel Governance," *Governance* 21, 3 (2008), 397–418.

and cooperation between a cross section of political actors organized at various territorial levels. In this context, the role and authority of state has been challenged by the increased engagement of supranational, subnational and non-state actors. (…) Its emphasis is on the growing importance of both horizontal and vertical interdependence in the context of European integration that is between actors located at different territorial levels and from public, private and voluntary sectors. A characteristic feature of this kind of policy-making is the prominence of 'territorially overarching policy networks'."[22] [23]
The extension of democratic institutional structures and practices from governance to multilevel governance has been a big stride in the democratization of the EU but some basic weaknesses of the emerging multilevel and multiactor democracy have also come to the surface. In general, the recently emerging world order can be characterized by the unprecedented unity and unprecedented fragmentation that has been exacerbated by the global crisis. The EU polity as well as the member states' polities can also be characterized in the same way. For the parallel processes of fragmentation and integration James Rosenau coined the term "fragmegration". The MLG approach can serve as a "prime mechanism" to steer the tension between the – external and internal -fragmentation and integration.[24] If representative democracy is to be extended to the new and new actors at various levels by turning it into participatory democracy at macro-, meso- and micro-levels, then the three following questions arise: (1) who decides about the entry of new actors to the particular policymaking processes, (2) what kind of regulation is imposed upon the relationships of the actors in that given process and (3) how the accountability is applied to these actors. The MLG principle has also a big deficiency that has been called a "Faustian Bargain", or better to say "Faustian Dilemma". It turns out that the old model, "civil society has to control the state" has become inefficient and outdated, since the borderline between state and civil society has been blurred with the mass of the new "unregulated" civil actors that have entered the policymaking process. The real question is, how to control the new actors, i.e. "how to control the controllers" that needs a new model of democracy with the change of paradigm. It applies also to the old member states but even more so to the new ones, but it applies first of all to the regulation of the new world order as global governance.

The "political control and accountability remain just as critical as ever to democratic government", given the continued extension of representative democracy to a multiactor democracy. In a word, the MLG itself does not provide the political accountability dimension for representative democracy and therefore it may lead to an increasing democratic deficit. Thus, Guy Peters and Jon Pierre "highlight the perils and dangers associated with such governance in terms of participation, accountability, transparency, and inclusion."[25] The Faustian Bargain according to them is that by this extension one can gain efficiency in

[22] Ibid., 397–398.

[23] I refer in this paper to the widening governance literature without embarking on its detailed analysis, see recently Bache (2008), Benz and Papadopoulos (2007), Graziano and Vink (2008), Hayward and Menon (2003) and Kohler-Koch and Eising (2007). Karen Smith (2008: 143) draws attention to the fact that for the EU promotion of democracy has always been connected with good governance. The MLG discussions on the effectiveness and accountability have been continued in the volume edited by Benz and Papadopoulos (2007). The chapters of Benz (2007), Peters and Pierre (2007) and Schmitter (2007) in Benz and Papadopoulos have further developed the debate on European governance and democratic deficit.

[24] Ian Bache and Matthew Flinders (ed.), *Multi-Level Governance* (Oxford: Oxford University Press, 2000), 1, 5.

[25] Guy B. Peters and Jon Pierre, "Governance, accountability and democratic legitimacy," in *Governance and democracy,* ed. Arthur Benz and Yannis Papadopoulos (London: Routledge, 2007), 29–44.

the policymaking process at a price of losing accountability, therefore they also separate "performance" and "democracy" as analytical devices to point out the main problem: higher efficiency at the price of compromised "democracy". One can cope better with diversity and complexity in a widening universe of public policy in the extension of the MLG structures but this new arrangement necessitates a new type of political control and leadership. The answer to this new problem is the democratically constructed and controlled metagovernance as explained below, since otherwise more efficiency will cause less accountability and increased democratic deficit at both ends, at the top and bottom of the EU polity. In a word, the next step of democratic institution building in the new member states as well as in the West Balkan and the new neighbour states is creating, or further developing, the multilevel and multiactor democracy that can also be an institutional channel for the bottom-up Europeanization and Democratization. This democratization strategy of the new member states at the same time runs parallel with that of the EU, given the striking similarities between them concerning their democratic deficits.[26]

The extension of representative democracy through the MLG process into some kind of the troubled participatory democracy has not only created new democracy deficit in the EU but also some marked policy asymmetries between policy fields given the lack of coordination between economic, social and territorial cohesion. The economic cohesion of the EU has always been in the forefront in the EU with a constant effort to balance or complete it by social cohesion. Due to the relative failure of the Lisbon Strategy and its renewal in 2005, the "growth and jobs" approach has diminished the importance of social cohesion in order to enhance the economic competitiveness in the global arena. In the first decade, however, territorial cohesion/dimension has been relatively neglected, although the initial set up of the Lisbon Strategy has identified the regions (NUTS2) as the basic units of the competitiveness and it has exposed the territorial cohesion in the EU as a basic objective. In fact, territorial cohesion has been pushed back, since the clash between economic and social cohesion has been a heavy problem/tension in all member states, while the territorial cohesion has only been a partial problem, mostly limited to the less developed member states. It has been felt by the net payer member states as an overload and unnecessary burden and they have emphasized all the time that the territorial assistance has been counterproductive and inefficient, so it has to be (re-)nationalized. Eastern enlargement has increased this "second" debate, first of all after the entry of the East Balkan states. The debate has been reinforced by Spain with its phasing out stage losing interest in cohesion policy, as the UK earlier in the nineties. The Lisbon Strategy has to be renewed for the next decade in 2011 and this policy asymmetry between economic, social and territorial cohesion has to be corrected, otherwise the second decade may also be a relative failure of Lisbon Strategy in the enlarged EU27.[27]

[26] The special issue of the *Journal of European Public Policy* (15 (6), 2008) seems to suggest that the conditionality and/or compliance of the new member states is a short term problem as if it were basically the decision of the elites how to behave in the EU. I think that the mainstream EU Studies have gone into a blind alley by insisting on the short term effects of the failure of post-accession conditionality instead of looking at the long term effects. In my view institution building is the basic issue of imposing the conditionality on the new member states for the mid-term and long term that could solve those problems, which are usually visualized as the items for the short term political decisions, since most problems are beyond the decision-making capacity of the governments in the short run.

[27] See in this respect Council (2007). This document specifies the need of the coherence between economic, social and territorial cohesion, and it leaves the elaboration of this strategy for the Hungarian EU presidency, since the general renewal of the Lisbon Strategy is also due in March 2011 during the Hungarian presidency: "(45.) We ask the coming Hungarian EU presidency to evaluate and review the Territorial Agenda in the first half of 2011." (2007: 11).

Overcoming of the new weaknesses by the extended metagovernance

The MLG approach stresses the distinction between government and governance, but this does not mean at all that the national governments will be fatally weakened, and a "super-government" will not appear at the EU level either. This concept presupposes the continued importance of nation states at various territorial levels and throughout the policy process, i.e. the governments will have more multilevel *deconcentration* parallel with the widening *decentralization* along the governance line. Basically, there is also "a growing recognition of the role of states in shaping and regulating governance (…) as metagovernance."[28] If the MLG is going to overcome the weakness of losing democratic legitimacy, then also some new means have to be found to empower citizens to cope effectively with this shifting location of power. The electoral legitimacy of national governments ensures them pivotal role in this changing context, but the diffusion of competences and the changing patterns of participation demand some additional mechanisms of accountability beyond those provided by representative institutions. Consequently, "the evolving structures of multi-level governance are likely to necessitate new forms and models of accountability that seek to build new and innovative conduits between the public and the institutions involved in complex networks. In essence, this may involve a fundamental reappraisal of the meaning of democracy and the role of representative institutions within nation states."[29]

The extension of representative democracy to participatory, multiactor democracy overstretches the frames of democratic accountability and legitimacy, and it demands a parallel change or extension in the control mechanisms. The basic idea for this mechanism in the form of metagovernance at the top has come from Bob Jessop. He has elaborated the idea about the continuing centrality of the state as metagovernance, with respect to its capacity providing the ground rules for governance and regulatory order through which governance partners can pursue their aims: "For political authorities (on and across all levels) are becoming more involved in all aspects of metagovernance: they get involved in redesigning markets, in constitutional change and the juridical re-regulation of organizational forms and objectives, in the overall process of collibration".[30] Jessop here gives a long list of the metagovernance functions, namely metagovernance provides the ground rules for governance and regulatory order in and through which the governance partners can pursue their aims, and it ensures the compatibility or coherence of different governance mechanisms and regimes. This central authority acts as the primary organizer of the dialogue among policy communities, and deploys a relative monopoly of organizational intelligence and information by helping in the self-understanding of identities, strategic capacities and the real interests of the individual and collective actors in various social contexts. It serves as some kind of "court of appeal" for disputes arising within and over governance and it seeks to rebalance power differentials by strengthening weaker organizations to enhance social integration and cohesion. Finally, the metagovernance has the basic function to assume the political responsibility in the event of governance failure. This long list can be further widened and explained from different sides but it already demonstrates clearly that this central authority, the state at the national level

[28] Ian Bache and Matthew Flinders (ed.), *Multi-Level Governance* (Oxford: Oxford University Press, 2000), 201.

[29] Ibid., 205.

[30] Bob Jessop, "Multi-level Governance and Multi-level Metagovernance," in *Multi-Level Governance,* ed. Ian Bache and Matthew Flinders (Oxford: Oxford University Press, 2000), 65.

does not lose its importance with the shift from government to governance. Just to the contrary it gains new importance through these vital functions without which the emergence and extension of the MLG would lead to chaos and to the weakening of the democratic order and legitimacy.

It is not enough, however. By the extension of representative democracy not only national but also the EU transnational democracy has changed its meaning. The workings of the EU necessitate increased metagovernance at the new top or peak institutions in the form of the renewal in the Big Power Triangle of the Council, Commission and Parliament. As Jessop explains, "(T)he European Union can be seen as a major and, indeed, increasingly important, supranational instance of *multi-level metagovernance* in relation to a wide range of complex and interrelated problems." Metagovernance has also the function to elaborate the long-term Grand Strategy for Europe. In the Big Power Triangle "The European Council is the political metagovernance network of prime ministers that decides on the overall political dynamic around economic and social objectives (…) The European Commission plays a key metagovernance role in organizing parallel power networks, providing expertise and recommendations, developing benchmarks, monitoring progress, promoting mutual learning, and ensuring continuity and coherence across presidencies. This is associated with increasing networking across old and new policy fields at the European level as well as with a widening range of economic, political and social forces that are being drawn into multi-level consultation, policy formulation and policy implementation."[31]

Consequently, the pattern of multilevel metagovernance in the EU is still evolving and it has the tendency of permanent change and reforms for two reasons. First, there are inherent tendencies of failure in all major forms of governance like the market failures, so the "governance failures" have also to be corrected and balanced. Second, the metagovernance itself may develop its own special "top" failures, hence it needs an internal correction mechanisms for its internal renewal. This is the eminent case with the creative crisis in which the EU has recently entered a new phase with the second Irish No, and it may be even more so in the case of the global financial crisis. From the point of view of "multilevel metagovernance", the MLG concept has to be developed as the main profile of "deepening" that presupposes permanent structural transformations in the relationship of both the vertical institutional layers and the horizontal actors within the EU. Democratically constructed and controlled metagovernance is the solution for democratic deficit at both ends, at the top and bottom of the institutional structure. It represents the positive sum game or win-win game in democratic politics.[32]

The multilevel governance has also been very important for the practical reasons of the absorption of the Structural Funds. It is a salient issue not only in the old member states, but even more in the new member states. Here the weakly developed sector of the mesogovernments and microgovernments, or the low institutionalization of the MLG structure in general has always

[31] Ibid., 72.

[32] Adrienne Héritier (2007) has given an in-depth analysis of the institutional reform mechanism in the Big Power Triangle in accordance with their "metagovernance" role, although without a reference to this term. The so called new modes of governance also indicate that the "metagovernance" has to change from time to time (see Dezséri, 2007, Kohler-Koch and Eising, 2007, and Hayward and Menon, 2003). As Vivien Schmidt (2005) observes, the EU is a "policy without politics", while in the nation states there is a "politics without policy".

been the biggest obstacle to the optimal use of the Funds.[33] The main reason is that at the meso-government level - like in a "Bermuda triangle" - the Europeanization efforts starting from both sides, from both the top and the bottom have usually disappeared. As a result of the post-accession crisis and the early challenge of the MLG structures an institutional jungle has appeared in ECE, since governance has been extended without a proper regulative system. Drastic transformation of representative democracy has begun towards the participatory-inclusive democracy but it is only in its first, controversial stage. Thus, nobody knows who is who in the policy-making process and what kinds of competences these newly entering actors have, in relations to the state or to each other, "controlling the controllers". The state and civil society have merged to some extent and the boundaries have been blurred, so civic organizations do not control the state exclusively from outside but also active inside. There will be a long road ahead to build the new regulative structures as metagovernance even in the ECE national frameworks but this process has speeded up under the global pressure. Accordingly, the latest MLG literature has been developed in its two basic dimensions, in both governance-performance terms and in democratization perspectives that has proven the MLG discourse has been and will be the main discourse in the renewal of the EU, even in its policies to the neighbours.[34] *Second conclusion: in general, the MLG can be considered as a solution for both – performance and democracy – deficits.*

Final conclusion: democratization of the EU through MLG

This paper has begun with the rather pessimistic turn of Yves Mény but it concludes with the more optimistic approach of Lisbet Hooghe and Gary Marks[35] who see an opportunity for politicization and democratization of the EU by introducing and extending the MLG structures. There have been many efforts for the politicization of the EU by suggesting EP elections with party candidates for the President of the European Commission that could present real political alternatives and could mobilize the populations for the participation in the EP elections. But Hooghe and Marks have recently elaborated a general concept in which the attractiveness of the MLG model plays a central role in the EU democratization "by using building blocks of the multi-level governance approach to European integration". Discussing the "structure of debate over Europe", they question the basic assumptions of the conventional approaches to introduce a new, MLG based approach:

"The elite-centred view of European integration survived the creation of a European Parliament and even direct elections from 1979. European elections were popularity tests for national governments. European integration, as several researchers found, was largely a non-issue for the public. This view rests on three assumptions, none of which now holds. First, the public's attitudes towards

[33] See e.g. Kálmán Dezséri (ed.), New Modes of Governance and the EU Structural and Cohesion Policy in the New Member States (Budapest: Akadémiai Kiadó, 2007).

[34] On the governance-performance side see Kritzinger and Pülzl (2008), Mamudu and Studlar (2009), Mörth (2009), Sorensen and Torfing (2008), even in the West Balkan relations as Fagan (2008). On democratization side see Ayers (2009), Bache (2008), Bellamy et al. (2006) and Philp (2009), but first of all the efforts of Hooghe and Marks (2009) for the politicization and mobilization of the EU population as demos through MLG, and its current debate, Börzel and Risse (2009) and Schmitter (2009).

[35] Liesbet Hooghe and Gary Marks, "A Postfunctionalist Theory of European Integration: From Permissive Consensus to Constraining Dissensus," *British Journal of Political Science* 39, 1 (2009), 1–23.

European integration are superficial, and therefore incapable of providing a stable structure of electoral incentives for party positioning. Secondly, European integration is a low salience issue for the general public (in contrast to its high salience for business groups), and therefore has little influence on party competition. And, thirdly, the issues raised by European integration are *sui generis*, therefore unrelated to the basic conflicts that structure political competition. The experience of the past fifteen years – and the research it generated – has dismantled each of these assumptions."[36] The comments of Tanja Börzel and Thomas Risse[37] have confirmed that the politicization of the European integration has gathered speed and here to stay. Philippe Schmitter[38] has underlined that, indeed, the general approach to the European integration has shifted from "permissive consensus" to "constraining consensus".[39]

These new initiatives have outlined the overcoming of the democratic and performance deficit of the EU through the promotion of the MLG structures. Bartolini – as discussed above – has emphasized that the member states cannot meet the challenges of globalization, therefore they need the EU transnational structures to solve their problems. It is also well known from the Eurobarometer surveys that around eighty per cent of the EU population considers the EU as the best level to cope with the new global challenges as climate change, energy security, mass migration and the likes. Obviously, this is not the end of history but the start of a new global history in an EU context. It is not the end of democracy either, but the renewal of democracy in a participatory framework that has termed as multilevel governance and multiactor democracy.

No doubt that nowadays the "imported crisis" still spreads to Central and Eastern Europe.[40] The ongoing global crisis has created new "mental barriers" in Europe and it has undermined the European identity and European governance to a great extent. However, the crisis management actions have also discovered new horizons for both deepening and widening in the EU. Actually, the big periods of the EU development have been created by the deep transformations as milestones of the world system. The first period ended in 1973 with the first enlargement that opened up the core Europe to a continental power through series of enlargements, and the second one in 1991 (Maastricht Treaty) with the collapse of the bipolar world turned the EU into a global actor. In 2008 the third period came to an end with the outbreak of global crisis, and around 2010/2011 a new, fourth period will begin that will differ from the present EU beyond recognition. The EU is in a creative crisis and some outlines of the "new EU" in a "new Europe" can already be seen based on a MLG type of structure with an extended external governance and deepened internal governance. In the democratic renewal of the EU - also in its relationship with the neighbours

[36] Ibid., 2–7.

[37] Tanja A. Börzel and Thomas Risse, "Revisiting the Nature of the Beast – Politicization, European Identity, and Postfunctionalism: A Comment on Hooghe and Marks," *British Journal of Political Science* 39, 1 (2009), 217–220.

[38] Philippe Schmitter, "On the Way to a Post-Functionalist Theory of European Integration," *British Journal of Political Science* 39, 1 (2009), 211–215.

[39] There has been a new initiative by four large policy institutes for involving the citizens more to the EP elections – "Give European Citizens a Voice" – and this booklet gives a new perspective for enlarging the EU democracy through electoral mobilization. See Bonvincini (2009).

[40] Michael Emerson, "The crisis spreads to Eastern Europe," *CEPS European Neighbourhood Watch* 46 (2009).

– a new European identity and civil society cooperation will emerge.[41]

Similarly, under the pressure of global crisis, and as a result of the long term preparation process, the EU has taken a further step in transforming its own global environment with the Eastern Partnership (ENP-EP). The European Council decided on 20 March 2009 about the Eastern Partnership that may be a breakthrough in the treatment of the six Eastern neighbours as well as in the institution-building policy of the EU. In the Declaration attached to the March 2009 Presidency Conclusions the European Council has invited the heads of states and governments of the new 27+6 partnership formation to a Summit meeting on 7 May 2009 to Prague. The Declaration reorganizes that the main objective of the ENP's Eastern Dimension is "to create the necessary conditions for political association and further economic integration between the European Union and Eastern partners" by introducing "the principle of joint ownership" and suggesting a "multilateral framework" for regional cooperation by the participating 33 states. The most important message is that "The European Union's Comprehensive Institution-Building Programmes will help the participating countries to improve their administrative capacity." In this spirit "the multilateral framework (…) should operate on a basis of joint decisions of EU member states and Eastern partners". It has been expected that the Prague Summit will adopt a Joint Declaration on the Eastern Partnership. Based on that Declaration there will be a Summit of Heads of States and Governments once in every second year, and the foreign ministers will meet once every year. After this basic turning point, introducing partnership at macro level, the elaboration of the multilevel and multiactor democracy can begin in the six Eastern partner states. When the institutional crisis ends the EU can return to the deeper and more detailed elaboration of the Road Map for the West Balkan integration as well. Both the ENP-EP and the WB processes in widening has been a great interest of the new member states. The real progress presupposes their continued support on one side and also a learning process of the WB states and the Eastern neighbouring states on the other.

Finally, as to the emerging "glocal" governance, the increasing globalization already in the nineties speeded up and strengthened to a great extent the "regionalization" efforts worldwide. Regionalization means here the continent-size transnational formations like the EU, NAFTA and ASEAN. In the present decade this process has not only continued but further strengthened and it has also shown the signs of the "spill over effect" to other levels as well. The stronger is the impact of globalization on all other territorial levels, the more the transnational regions, countries and subnational regions organize and strengthen also their smaller territorial units. The "glocal" governance is a reaction to the danger coming from the global uncertainties as an arch of the multilevel governance from the global governance to the local governance: the global-local linkage. Thus, the global governance is basically a strengthened local governance and basic democracy under the global pressure at the level of local communities. Glocal governance is both a transition from global to local governance and an arch of institutions between the two ends. It proves that globalization penetrates not only countries and subnational regions but also the much smaller territorial units and communities, and under its pressure even the local governance needs a reconstruction.

[41] See Dora Kostakopoulou, "The evolution of European Union citizenship," *European Political Science* 7, 3 (2008), 285–295 and Carlo Ruzza and Emanuela Bozzini, "Organized civil society and European governance: routes of contestation," *European Political Science* 7, 3 (2008), 296–303.

Annex – White Paper on Multilevel Governance (April 2009 draft)
"1.3 Within the European Union nearly 95 000 local and regional authorities currently have significant powers in key sectors such as education, the environment, economic development, town and country planning, transport, public services and social policies. They also help to ensure the exercise of European democracy and citizenship."
"1.9 Multilevel governance actually serves the fundamental political objectives of the European Union: a Europe of citizens, economic growth and social progress, sustainable development, and the role of the European Union as global player. It reinforces the democratic dimension of the European Union and increases the efficiency of its processes."
"1.11 (MLG) It has now become a condition of good European governance."
"3.2.11 Convincing examples of the relevance of multilevel governance can also be found in the regional approach to the European neighbourhood policy".

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RE-IMAGINING REGULATION FOR DEMOCRATIC POLITICAL SYSTEMS:

LESSONS FROM IRELAND

Neil COLLINS[1]

The current global economic crisis has not come about because of some dramatic disjuncture in the productive capacity of the world's economies but through a failure of governance and political oversight. The system of rules and surveillance on which we came to rely let us down. This paper seeks to address regulation and its impact on the political system through a case study of a small European state. Ireland has experienced an ongoing process for regulatory reform. The impact of this process is viewed through the prisms of competition, transparency and innovation. The paper looks at how the pressures of local interests have been accommodated to the demands of globalised capitalism and discusses Ireland's approach to regulatory enforcement. It calls for a rebalancing of academic attention from the economic to the political agenda. The analysis of regulatory regimes, states and capitalisms has never been more prescient. By understanding the cross cutting pressures associated with regulation, it is possible to see why the political systems of some states were so adversely affected and to suggest ways of re-imagining regulation as a democratic process as well as a tool of economic policy.[2] Case studies from different jurisdictions

[1] Neil Collins, University College Cork, Ireland; president of Irish political science association. The paper was prepared and presented at the XX. Slovenian political science conference in May 2009.

[2] For overviews on these issues see Jacint Jordana and David Levi-Faur, "The politics of regulation in the age of governance," in *The Politics of Regulation Institutions and Regulatory Reforms for the Age of Governance,* ed. Jacint Jordana and David Levi-Faur (Cheltenham: Edward Elgar, 2004); David Lazer, "Regulatory Interdependence and International Governance," *Journal of European Public Policy* 8, 3 (2001), 474–492; David Levi-Faur, "Varieties of Regulatory Capitalism: Sectors and Nations in the Making of a New Global Order," *Governance* 19, 3 (2006), 367–382.

are frequently used to highlight practical and theoretical issues.[3] *In this paper, the experience of Ireland*[4] *is used to look at how the pressures of local interests have been accommodated to the demands of globalised capitalism – sometimes by conceding, other times by colluding. Ireland is an especially interesting case because as Scott says: "Ireland is the world champion for creation of [regulating] agencies, surpassing even the United States".*[5]

Introduction: Irish political context

Ireland has a tradition of pluralist, multi-party parliamentarism. Like other western democracies the Republic of Ireland exhibits stable and rule based politics and represents a typical European liberal democracy. Its market economy was for many years closely linked to that of the United Kingdom but since joining the European Communities in 1973, it has diversified considerably. Ireland followed a clear-cut regulatory reform programme strongly influenced by international organisations like the IMF or the OECD and triggered by the need to change domestic regulatory frameworks as a result of European Union (EU) competition rules. Enhancing transparency to attract foreign investors precipitated regulatory and managerial innovation further increasing competition and institutional change.

Following Independence in 1922, the state established publicly owned monopolies in most utilities including transport and energy. It also adopted a protectionist stance and espoused a self-sufficiency ideal. In the first five decades, state-owned enterprises provided Ireland with services and products that the private sector seemed unable to offer, either at all or at acceptable cost. Protectionism, a feature of economic policy until the early 1960s, was designed to further ensure that Ireland could be confident of a supply of goods and services that a free trade regime might well render too expensive to consumers or too detrimental to the balance of trade. The common theme to the establishment of state-owned enterprises and to protectionism was detailed and pro-active government engagement with the economy.

In many aspects of public policy and public management, substantial reform was precipitated by the change of economic policy associated with the publication

[3] For the use of case studies in the analysis of regulatory change see John Bradford Braithwaite, "Neoliberalism or Regulatory Capitalism," *Regulatory Institutions Network Occasional Paper 5*, Canberra: Australian National University.

[4] The term "Ireland" is used in this paper to refer to the Republic of Ireland rather than the whole island. There is close co-operation between regulatory bodies in both the Republic of Ireland and Northern Ireland but this is not discussed here.

[5] Colin Scott, "Regulating Everything," Geary Institute Discussion Paper (Dublin: University College Dublin, 2008).

of the 1958 White Paper, *Programme for Economic Expansion*. Ireland removed several restrictions on foreign ownership and various programmes were set up to encourage foreign direct investment (FDI). More recently, greenfield investments in skilled-labour-intensive and export-oriented sectors have been targeted. Coalition governments are now the norm and the broad party consensus on liberal capitalist values has facilitated a remarkable continuity of economic policy. The main features of this policy have been opening the economy to FDI, fiscal restraint and neo-corporatist national agreements. Ireland, as an EU member state, has implemented the associated neo-liberal reforms in relation to competition, environmental and other policies. A combination of EU Directives, government policy decisions and technological change has determined regulatory reform. The major areas for regulatory reform have been those where the state was once most directly involved in providing monopoly or near monopoly services. Other areas of significant regulatory reform have been in areas related to the environment, competition, health and safety. Some professional bodies are constituted as statutory regulator. For example, the Pharmaceutical Society of Ireland acts in this capacity in the area of pharmacy practice.

Regulatory reforms happen in a highly integrated and interdependent global context. Each political system must address both internal and external pressures within the context of a competitive world economy in which extremely mobile investment is a key driver. Openness for the inflow of capital, know-how and technology has become the dominant prescription for the pursuit of economic modernisation. Today, Ireland competes with emerging markets for FDI. The question now is not whether to open up an economy to global markets but how to best organise the regulatory framework for domestic and foreign actors engaged in economic activity. The Irish state has in part answered this question by a process akin to juridification:

…politicians and policy entrepreneurs turning to the courts and the adjudicative process as a substitute for the persuasion, negotiation, bargaining, and tradeoffs of political decision making … a growing reliance on judicial language, formal structures, and automated procedures.[6]

This is a trend elsewhere also but in Ireland it was given a fillip by the crisis of confidence among politicians engendered by revelations of political corruption since the early 1990s.[7] The parliamentary response was to appoint tribunals

[6] Gordon Silverstein, *Law's Allure - How Law Shapes, Constrains, Saves, and Kills Politics* (Cambridge: Cambridge University Press, 2009), 2.

[7] See Neil Collins and Mary O'Shea, "Political Corruption in Ireland," in *Corruption in Contemporary Politics,* ed. M. J. Bull and J. L. Newell (Basingstoke: Palgrave Macmillan, 2003); and, Gary Murphy, "Payments for No Political Response? Political Corruption and Tribunals of Inquiry in Ireland, 1991–2003," in *Scandals in Past and Contemporary Politics,* ed. John Garrard and James Newell (Manchester: Manchester University Press, 2005).

headed by judges. In addition, Ireland has adapted a form of new public management (NPM) that tries to design out politicians except in the narrowly defined roles of minister and parliamentarian. This itself is a reaction among influential civil servants to the reality that Irish elected members themselves place a very heavy emphasis on constituency service.[8] In relation to regulatory reform, especially in the area of competition, a persistent aim has been to depoliticise in the sense of privileging technical expertise in terms of economic analysis as opposed to political judgement. This can be seen again in the establishment of the National Asset Management Agency (NAMA) in 2009. NAMA will take over "bad" bank loans to encourage the resumption of lending to businesses but its chief executive has been keen to emphasis its distance from politicians.[9]

Another driver of regulation in Ireland has been scandals of various kinds. Dramatic failures in areas such as food safety, child protection and the care of the elderly have precipitated new regulatory agencies. Several c*auses célčbres* have involved malpractice in banks and tax evasion. As Hirshleifer suggests these may not be the optimal times to introduce regulation: Psychological evidence indicates…that after bad news we will see a push for new precautionary regulation. Furthermore, during bad times when firms become distressed and manipulation activities are revealed, public attention focuses more on misconduct. As a result, there is pressure for tightening financial controls, and there is greater litigation against alleged wrongdoers…As more wrongdoers are sued and imprisoned, news about misconduct becomes even more available in the media. Thus, tightening of the regulatory environment is self-reinforcing.[10]

The importance of sound decision-making and successful political management of regulatory reform is nowhere clearer than in countries which embark on a course of radical modernisation. A reputation for good governance is, for Ireland, a comparative advantage[11] though this might be offset if too intense a regulatory regime imposed higher compliance costs on firms operating in the Republic compared to rival jurisdictions.[12]

The Irish state seeks a reputation as a provider of a supportive business environment. Among those companies that judged Ireland an attractive investment location were technology companies such as Microsoft and Google. At the same time, local companies, such as Ryanair, have taken advantage of Ireland's

[8] Neil Collins, "Parliamentary Democracy in Ireland," *Parliamentary Affairs,* 57 (2004), 601–612.

[9] John Murray Brown, "Irish ‚bad bank' to call time on crony capitalism," *Financial Times* (London) 13th May 2009.

[10] David Hirshleifer, "Psychological Bias as a Driver of Financial Regulation," a keynote address to the European Financial Management Association Annual Meetings in Vienna, Austria in June 2007, available at http://mpra.ub.uni-muenchen.de/5129/.

[11] See Michael E. Porter, *Competitive Advantage* (New York: Free Press, 1985).

[12] See Christine Parker et al, *Regulating Law* (Oxford: Oxford University Press, 2004).

deregulated aviation market and parallel European regulatory developments to compete aggressively in the market.

Until the recent crisis, Ireland had achieved one of the highest rates of economic growth within the OECD countries. Government policy made substantial contributions to the development of the economy and had a crucial role to play in enabling, bolstering and furthering this economic growth. Vogel's comparative account of green regulation in the UK and America points to the importance of the local political environment.[13] It characterises the British approach as stressing informal resolution of issues and a culture of consensus between regulators and regulated. In Ireland, this is an even more compelling political contingency. The concept of "social partnership", crucially neo-corporatist national agreements for fixed periods between the state and major social actors, has been elevated in the Republic to the status of official doctrine at all level of the public and private sectors.14 In early 2009, negotiations on a renewal of the social partnership agreement appropriate to the change economic circumstances broke down but, fearing the disruption associated with an unmediated industrial relations framework, attempt to conclude a deal continued informally. The "partners" must, of course, have their interests accommodated for any agreement to be reached. Crucially, the demands for protection of the local *modus operandi* have to be set against the need to meet the criteria set by outsiders for FDI.

Sometimes regulatory regimes have to promise more change than they deliver.

Amid a period of increasing political anxiety generated by the BSE crisis [of the 1990s], the Irish Government sought to replace a confusing medley of food regulations with a single agency responsible for regulating food from the 'farm to the fork'…despite the political hullabaloo accompanying the Irish government's decision…government's struggle [was] to construct an agency that would restore market confidence…without threatening the habitat of those multi-national producers which occupy this field of policy.[15]

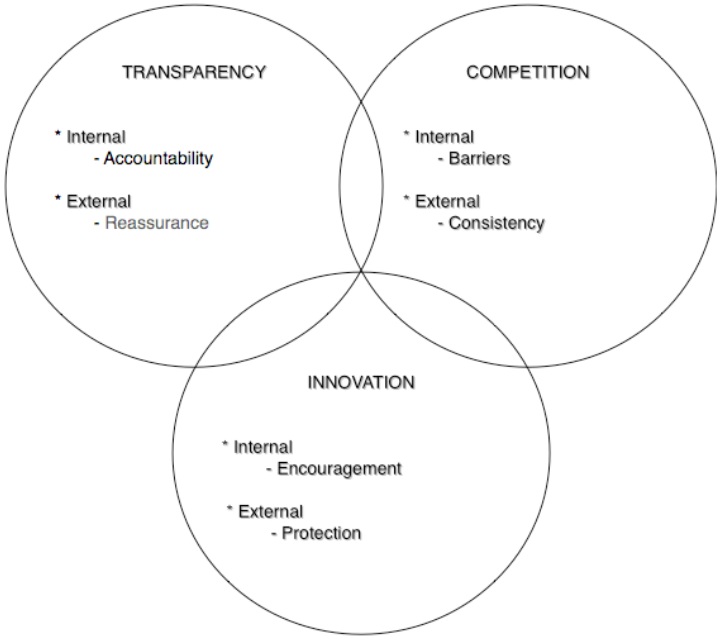
In general, the balance between the benefits of regulatory reforms and compliance costs is hard to quantify as is that between internal and external pressures but the Irish case is discussed here with reference to three key issues in the process of regulatory reform –competition, transparency and innovation.

[13] David Vogel, *National Styles of Regulation: Environmental Policy in Great Britain and the United States* (Ithaca, NY: Cornell University Press, 1986).

[14] See Neil Collins et al, *Modernising Irish Government: The Politics of Administrative Reform* (Dublin: Gill & Macmillan, 2007).

[15] George Taylor and Michelle Millar, "The politics of food regulation and reform in Ireland," *Public Administration* 82, 3 (2004), 585–593.

Figure 1: Regulatory reform –competition, transparency and innovation



Competition, transparency and innovation all have an internal as well as an external dimension and they are all interdependent. Figure one summarises the relationship between these issues. In this paper, it is argued that it is especially the area where the three issues are interconnected that proves most telling for the working or failure of regulation.

Competition

Among Irish economic regulators, such as those dealing with energy, telecommunications and transport, competition is used as an axiom. Indeed, the benefits of competition for the maximal use of resources and the process of wealth creation have been largely unchallenged in the Irish context until the recent crisis. Even now, the discourse on regulation in the context of economic crisis is dominated by " [a] focus on rebuilding competitiveness".[16]

For politicians, interest groups and even citizens the benefits of competition are not always so clear. Particularly in an economic downturn with jobs being lost to cheaper locations such as Poland and China, unbridled competition may seem contraindicated. The main thrust of competition policy in most political systems is the removal of barriers associated with restrictive trade practices, monopolies and access to financial and other resources. For inward investors, the key is often consistency in the application of policy when applied to non-local enterprises.

[16] Michael O'Sullivan, "We need a political system that encourages strategic thinking", *Irish Times* (opinion section) 14th April 2009.

In Ireland, the combination of a generic regulator for competition and a number of sectoral regulators has ensured that almost all business areas are covered. Nevertheless, competition may be compromised by regulatory capture, with the interests of potential competitors being crowded out by the vested interests of the existing incumbents. Bernstein suggested that such changes are like an evolutionary life cycle in which freshly minted agencies infused with a pioneering and radical spirit eventually falling prey to capture by the industry.[17] Clearly, this process is not inevitable but the privileging of some enterprises is a danger. Thus, for example, the state airline Aer Lingus was able for a long time to exclude competitors "in the national interest". Two years before it was founded in 1937, the government department responsible excluded a provider of service to the UK on the basis that it was *intended* to set up a national carrier.[18] This regulatory policy held firm for the next 50 years.

Changing the rules of the game will inevitably lead to a rearrangement of networks and coalitions. The danger of the Irish regulatory system failing to meet the criteria of competition is illustrated by the handling of the liberalising of the electricity industry. Under the protectionist regime, electricity generation and distribution were the tasks of a state owned monopoly. In February 2005, the distribution function was given to EirGrid, another state monopoly but independent of the dominant producer the Electricity Supply Board (ESB), a state owned company. Nevertheless, the ESB retained an over 90% dominance of the market and the regulator, the Commission for Energy Regulation (CER), allowed it to charge among the highest prices in the EU. The ESB's position in 2009 is unenviable because the two smaller rivals, one 95% owned by the state, have been able to enter the market with unregulated prices substantially below its tariff in the domestic supply market. External interests, apart from those in Northern Ireland, have been slow to invest in Ireland's regulated market and exiting foreign firms frequently cites high energy prices. In general, the current regulatory framework has not been conducive to competition.

The benefit of tackling local interests is illustrated by the liberalisation of the taxi industry. In the 1970s, political pressure from existing holders had secured a cap on numbers and, consequently, increased the value of taxi licenses. Economic growth and a buoyant tourist trade created an increased but unmet demand for taxi services. In 2000, the taxi industry was liberalised and, subsequently, regulated easing market access and meeting consumer demand.

[17] Marver Bernstein, *Regulating Business by Independent Commission* (Princeton, NJ: Princeton University Press, 1955).

[18] Bernard Share, *The Flight of the Iolar, The Aer Lingus Experience 1936–1986* (Dublin: Gill & Macmillan, 1986).

Transparency

Transparency has become a guiding concept in the lexicon of governance though frequently honoured more in the breach than in the observance. In relation to regulation, transparency is thought to offer citizens, companies and other political actors clear lines of accountability. Accountability then is a crucial requirement for the preservation of legitimacy and the possibility of effective political management of regulatory performance.[19] Similarly, for relevant external actors, particularly potential investors and intermediaries, transparency is *the* prerequisite for rational decision-making. In addition, it equates to reassurance that competition is fair, assets safe and profits recoverable. Investors should be able to take a reliable institutional framework ensuring rule of law and enforcement as a given. Thus, internally, transparency's foremost importance is political while externally it is economic.

Transparency is not among the traditional virtues of either public bureaucracies or business. For Irish civil servants, personal anonymity and ministerial responsibility are prized characteristics that the public sector reforms, captured by the term 'new public management', have only recently challenged. For senior politicians also, the idea of transparency is a threat to the promises, bargains and compromises that are their stock in trade, particularly when dealing with domestic entrepreneurs and potential inward investors. From a business perspective, the balance between a minimum of transparency required to be attractive for investors and customers and the maximum of protection of know-how and technology has always been uneasy. Even the highly sophisticated networks of investment bankers, rating-agencies, free media and governmental and non-governmental regulatory bodies failed to disclose the manipulations of ENRON and WorldCom. As the US sub prime mortgage crisis demonstrates, modern financial products have become so complex and, thereby, non-transparent that even the top management of the big global banks seems unable to understand their own dealings.

In the case of Ireland, the political, administrative and business elites have developed a close working relationship. While this might be beneficial for internal transparency, where a close network of local elites allows a Celtic version of London's famous 'Gentlemanly Capitalism',[20] its impact on non-domestic actors is problematic. Informal networks tend to shape official regulation according to local interest, traditions and loyalties. Non-members of these networks encounter a gap between formal and informal rules and regulation. Hence, for example, foreign companies may find the consultation time on new regulations

[19] See Michael W. Dowdle, "Public accountability: conceptual, historical, and epistemic mappings," in *Public Accountability Designs, Dilemmas and Experience*, ed. Michael W. Dowdle (Cambridge: Cambridge University Press, 2006), 1–32.

[20] See Philip Augar, *The Death of Gentlemanly Capitalism* (London: Penguin, 1998).

too short and suspect local inside knowledge. Closing the transparency gap decreases the costs and the risks of their activities. Thus, the introduction of autonomous statutory regulators and the ongoing adoption of global standards and regulatory practices, such as the introduction of Regulatory Impact Assessment (RAI) in 2005, enhance the level of transparency in relation to the general business environment and particularly levels of competition. Nevertheless, a review published in 2001 by the OECD, while acknowledging recent institutional reforms, hints at a potential problem:

Public consultations on regulatory matters…were nevertheless carried out with social partners on the basis of informal practices….[T]he informality of the process was perceived by many as a flexible means for facilitating the emergence of social consensus. Easy accessibility to government information, senior decision-makers and Irish Ministers contributed to this informality, characteristics that are less likely to occur in large size economies. Although informality underpins flexibility and quick responsiveness, it is often mirrored by procedures lacking in transparency with inevitable risks of regulatory capture.

The deep malaise in the banking sector illustrates the danger of the Irish regulatory system failing to meet the criteria of transparency. The financial crisis that began to unfold in late 2008 severely tested the efficacy of the regulators, especially the financial regulator whose chief executive was forced to step down in early 2009. Some of the regulatory functions were reallocated to government departments and the Central Bank was given a more proactive role. The banking crisis has many aspects and stems in large part from unsustainable lending practices surrounding investments in property. The role of transparency is highlighted the recurring revelations about the private affairs of some banks. These include hidden loans to senior executives, falsified accounts and neglect of the shareholders' interests. The Irish experience resonates with the conclusions of a survey of empirical studies on regulation and banking stability by Tchana:

..regulations affecting a bank's balance sheet or the banking sector structure are generally at least not effective for stabilization purposes, and can even increase the fragility of the banking system. Conversely, regulation affecting a bank managers' and/or owners' behaviour is effective.[21]

Innovation

Innovation is regarded as a major driver of the economy and so a great deal of the thrust of regulation is aimed at encouraging it. Public policy is designed

[21] Fulbert Tchana Tchana, "*Regulation and Banking Stability: A Survey of Empirical Studies*," unpublished and accessed at http://mpra.ub.uni-muenchen.de/9298/.

to facilitate the introduction of new goods, methods of production, market opportunities, sources of supply or, though less often recognised, new forms of business organisation by indigenous companies. Potential investors, particularly from outside, will look to regulators to offer protection to their intellectual property, research investment and licence income. The area of innovation is especially sensitive for regulators in part because of the necessary levels of confidentiality but also because R&D frequently needs to challenge existing standards. In this context, EU business complains that the US regulates in the R&D function with a much lighter touch than in many other areas.

There is a presumed tension between regulation and innovation which is summarised in the maxim that government-backed rules undermine creativity. This is again based on the idea that the market rewards new ideas and business solutions. Innovation has, however, always depended upon certain kinds of regulation. In Ireland, the authorities have tried to use regulation to encourage indigenous companies, especially SMEs, by countering both the resistance of existing suppliers to competition and the propensity to anticompetitive practices. While ensuring that innovators comply with regulations, Irish governments seek to help firms gain competitive advantage. Entrepreneurs complain that regulation damages innovation by making it harder to cut costs or organise more flexibly. Despite these claims of obstruction, ironically, overcoming the impact of regulation may itself be a spur to innovation. As Porter suggests:

A truly competitive industry is more likely to take up a new [regulatory] standard as a challenge and respond to it with innovation. An uncompetitive industry, on the other hand, may not be oriented toward innovation and thus may be tempted to fight all regulation.[22]

The ability of the Irish authorities to facilitate innovation is substantially narrowed in areas of high EU standardization. This is likely to become increasingly true in the area of financial services. In such areas, experimentation and the development of new techniques is inhibited and, critics allege, a "race to the bottom" is encouraged by so-called "jurisdictional competition".[23] The Irish experience is that, for the most part, EU member state regulators cooperate extensively, regularly share information on best practice and keep up both formal and informal dialogues and technical consultations. In financial services in particular, Ireland has sought to reassure investors by cost justified regulation while encouraging innovative financial products. It is important to note, however, that the Irish principles-based regulatory regime in this area is vulnerable to pressures on it from events in other jurisdictions with a similar approach. Thus, for example, the Northern Rock crisis in the UK in 2007/8 increased calls for a pan-European

[22] Michael E. Porter, *On Competition* (Boston: Harvard Business Press, 2008), 370.

[23] Jens Dammann, "A New Approach to Corporate Choice of Law," *Vanderbilt Journal of Transnational Law*, 38 (2005), 51–57.

regulator operating a system closer to the tightly specified American model that inhibits innovation.

The relationship between innovation and regulation is complex but external investors generally seek assurance that their innovations and innovatory capacity are protected. Innovators may look elsewhere to develop new projects if they have doubts about the regulatory environment. On the other hand, Ireland is party to EU regulations[24] on the abuse of dominance, clearly a danger associated with large multinational companies. Further, governments themselves cannot force innovation particularly through regulation. In relation to external interests, the Irish government may seek to influence innovation by encouraging industrial clustering or proximity to educational facilities using regulation but these constraints are never used to inhibit investment. The regulatory burden is seldom severe or costly to maintain and the right to innovate is protected mostly by forms of regulation that hinder power to control new initiatives.

Innovation has been one of the main motors driving regulatory reforms. Particularly in the United States literature on regulation, the competition between entrepreneurs searching for loopholes in existing regulation and creating new products to benefit have led to numerous breakthroughs in regulation. For example, environmental regulations, which oblige chemical companies to use safer alternatives to current practice, assist innovative companies that develop new products. The danger of the Irish regulatory system failing to meet the criteria of innovation is illustrated by the bus sector. Here a near state monopoly has inhibited new services and routes as well as encouraging low levels of price competition.

The crisis in the Irish financial sector points to another danger. As Moran suggests

'Effective regulation in conditions of great complexity depends on fostering norms among the regulated such that they will voluntarily comply, and depends upon the creation of a constant dialogue between regulators and regulated: hence 'responsive regulation'…[25]

The financial products engineered by the Irish financial industry were indeed complex but, in hindsight, one person's responsive regulation is another's collusion or regulatory capture. The concept 'innovation' is inextricably linked to that of 'risk'. In the Irish case, risk management by the regulator was presaged

[24] See Nicolas Jabko, "The political foundations of the European regulatory state," in *The Politics of Regulation Institutions and Regulatory Reforms for the Age of Governance,* ed. Jacint Jordana and David Levi-Faur (Cheltenham: Edward Elgar, 2005).

[25] Michael Moran, "Understanding the Regulatory," *British Journal of Political Science* 32 (2002), 399.

on a high level of mutual interest and trust. As Moran summarises this approach to so called "smart regulation", it supposed a "'community of shared fate' – when poor performance on the part of one damages the collectivity". In the event, the sector was "so opportunistic that regulations are routinely viewed as obstacles to be surmounted in the search for advantage in markets".[26] Nevertheless, "smart regulation" was a core aim of the recovery plan for the Irish economy published by the Government in December 2008.[27]

Regulatory Enforcement

Regulatory enforcement is often dichotomised in the literature between deterrence and compliance approaches i.e. between punishment and persuasion. In Ireland, making sure industry complies with regulations is tempered by the need to assist firms to manage, protect and extract full value from their intellectual assets and to strengthen their competitiveness. The propensity of Irish regulators is for persuasion and rather than punishment though both methods are employed. As the Financial Regulator explained to a parliamentary committee in 2008:

In undertaking all our work, we believe a regulatory approach grounded in broad consensus amongst all stakeholders is the best way. For this reason, we operate a consultative and collaborative approach…This engagement is positive and constructive.[28]

Indeed, regulators operate in a wider political system that is characterised in many areas by policy networks:

…the continuous and non-hierarchical exchanges among a relatively stable constituency of public and private actors – [which] foster an integrative logic by creating shared values, trust, and consensual knowledge over time.[29]

It would be out of character for the majority of Irish bureaucracies to put formal barriers to discourse with other parts of the network. Accordingly, critics and admirers alike use the term "light touch" to describe Irish regulation. This phrase is apt not necessarily as a description of the content of the rules *per se*, many of which reflect international standards, and are subject to outside validation, but to their enforcement. Ireland is, of course, not alone in showing

[26] Ibid.

[27] Government of Ireland, *Building Ireland's Smart Economy* (Dublin: The Stationery Office, 2008).

[28] Patrick Neary at a meeting of Joint Committee On Economic Regulatory Affairs on 29th April 2008 sourced at http://debates.oireachtas.ie/DDebate.aspx?F=ERJ20080429.XML&Page=1&Ex=13#N13.

[29] Grace Skogstad, "Legitimacy and/or policy effectiveness? Network governance and GMO regulation in the European Union," *Journal of European Public Policy*, 10, 3 (2003), 321–338.

a reluctance to adopt rigorous enforcement. As Scott observes the international data also points to:

…the priority given to the efficient promotion of compliance with the regulatory rules has led many enforcement agencies to develop practices in which prosecution is very much the exception or 'last resort' in an array of strategies for promoting compliance…partly for reasons of eking out limited resources and partly because shared understandings of regulatory problems tended to move agencies towards less stringent enforcement.[30]

Following Ayres and Braithwaite's pyramid of enforcement responses, see Figure 1, the tendency among Irish regulators is to favour persuasion and avoid suspension/revocation.

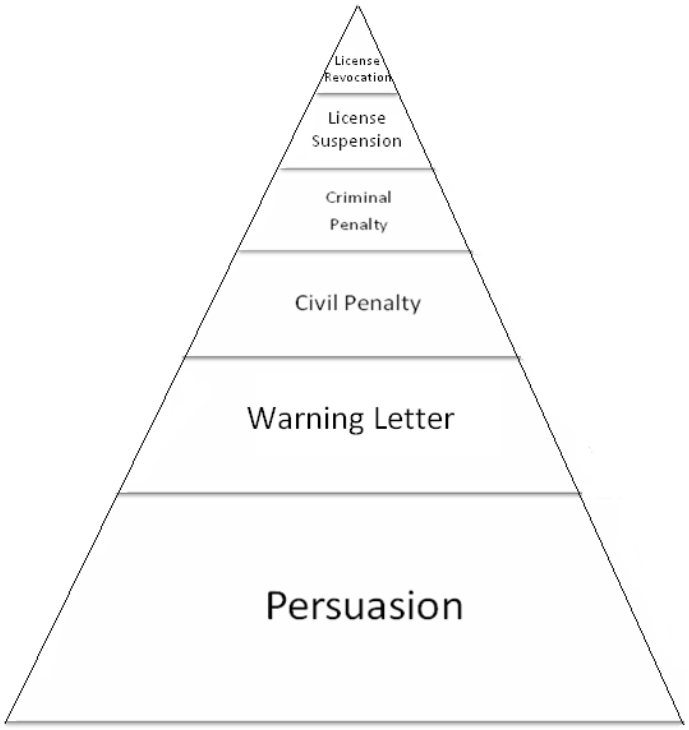


Figure 2: A pyramid of enforcement responses[31]

Ireland's regulatory legislation designates some breaches as criminal offences. For example, running foul of competition law can mean managers and directors of offending firms being imprisoned and/or fined. To secure such a sanction, regulators must go through the courts to which Irish Constitution gives sole and exclusive power to administer justice. In some cases, where a licencing system pertains, the application for a licence is taken as consent to submit to an

[30] Colin Scott, "Regulatory Crime: Understanding the Nature, Scope and Scale of Regulatory Offences in Ireland," paper given to the Two Tier Criminal Law System Conference (Cork: UCC Centre for Criminal Justice and Human Rights, 2008), 8.

[31] Ian Ayres and John Braithwaite, *Responsive Regulation: Transcending the Deregulation Debate* (New York: Oxford University Press, 1992), 35.

enforcement regime with penalties using process outside the criminal law but this does not apply to most areas of business. Furthermore, there are a number of reasons why Irish regulators have eschewed seeking criminal penalties not least of which is the burden of proof required.[32] The jurisprudence built up in Ireland around criminal trials is very strong reflecting not just the inherited British tradition but also the impact of a written constitution. The jurisprudence built up in Ireland around criminal trials is very strong reflecting not just the inherited British tradition but also the impact of a written constitution. This constitutionalisation of criminal procedure in Ireland means that the principles underlying proof in a criminal trial have a very strong base.[33] Additionally, the hurdle of "beyond reasonable doubt" in criminal cases is a high one compared to the "on the balance of probability" – the civil test.

The Competition Authority, Ireland's primary competition law enforcement agency, has been rebuffed by the High Court in some high profile cases on the grounds of the quality of its evidence. Further, in the 2009 High Court decision annulling the decision of the Competition Authority to block Kerry Group's proposed acquisition of one its major competitors, Breeo Foods, the judges seemed to go even further in questioning the evidence advanced by experts.34 Irish regulatory laws generally allow claims in civil law for breaches of certain duties imposed by statute. Regulators can, under their own authority as given by legislation, impose fines as an incentive to compliance but the offence would have to be relatively minor. Any aggrieved party can escalate the issue to the court and, if they win, the cost to the public purse can be high. Financially robust companies, for example, might be tempted to take a regulator to court over a relatively minor discrepancy. As a former minister for justice reflecting on the enforcement dilemma put it: "*The issue is whether Ireland can continue to rely exclusively on criminal law sanctions enforced by criminal warrants to secure compliance with the huge array of regulatory laws which are an essential part of our a sophisticated, compliant economy*".[35]

In the Irish regulatory environment, if regulators through criminal prosecution effectively shutdown a business or permanently revoked the licence of, for instance, a broadcaster causing it to close their authority for further action would potentially be weakened as public support may be withdrawn. Drastic action does occur in relation to cases of immediate danger of a health and safety na-

[32] For parallels in other areas of law, see Andrew Ashworth and Lucia Zedner, "Defending the Criminal Law: Reflections on the Changing Character of Crime, Procedure, and Sanctions," *Criminal Law and Philosophy* 2, 1 (2008), 21–51.

[33] See Caroline Fennell, *The Law of Evidence in Ireland* (London: Tottel, 2009).

[34] The Competition Authority announced in April 2009 that it had appealed the High Court decision relating to Kerry Group's takeover of the Breeo Foods consumer brands to the Supreme Court.

[35] Michael McDowell, "Non Criminal Penalties and Criminal Sanctions in Irish Regulatory Law," paper given to the Two Tier Criminal Law System Conference (Cork: UCC Centre for Criminal Justice and Human Rights, 2009), 1.

ture or in cases of dysfunctional nursing homes or children's facilities but it is unusual.36 Further, in some cases, prosecution may bring the kind of publicity to Ireland that would reflect negatively not merely on those charged but the whole sector concerned. Regulators in Ireland are nevertheless conscious of perceptions of procedural fairness. As Anand argues: …a sense of due process has value in curtailing possible abuse of discretion within hierarchical groups… or between traders with different levels of power… [L]ess than appropriate regard for a person as an agent is regarded as unfair.[37]

The choice for Irish regulators is generally between tackling serious infringements with a high burden of proof or less serious breaches of the rules with a lower burden of proof. On the whole, they have chosen the latter. Additionally, there may be some reticence in the regulatory system about using the criminal law route for white-collar crimes. Even the Office of the Director of Corporate Enforcement (ODCE), which is responsible for encouraging compliance with company law and investigating and enforcing suspected breaches of the legislation, operates initially at the bottom of Ayres and Braithwaite's pyramid. As Paul Appleby, the head of ODCE, said himself: "*Our approach to compliance and enforcement is a graduated one…most of our activity takes place in the bottom two segments of the [pyramid]…It is only a handful of cases annually that become the subject of legal action*".[38]

In early 2009, while working with the police fraud squad, the ODCE sought permission from the courts for the first time to search the premises of a financial institution under investigation for possible breaches of company law. Significantly, given the importance place on a reputation for good governance, the deputy prime minister in March 2009 announced new powers and resources for the ODCE saying her action "demonstrate(s) this Government's commitment to ensuring that Irish companies operate to the highest standards".[39]

Conclusions

By strengthening the Irish regulatory approaches…Ireland would be better positioned to deal more effectively with eventual external shocks and a less favour-

[36] Deirdre Ahern et al, „Regulating home care of older people: the inevitable poor relations?," *Dublin University Law Journal* 29 (2007), 374.

[37] Paul Anand, "Procedural fairness in economic and social choice: Evidence from a survey of voters," *Journal of Economic Psychology* 22, 2 (2001), 269.

[38] Paul Appleby, "Compliance and Enforcement – The ODCE Perspective," paper given to the Two Tier Criminal Law System Conference (Cork: UCC Centre for Criminal Justice and Human Rights, 2009), 5.

[39] Press release "Tánaiste confirms Company Law amendments and additional resources for the Office of the Director of Corporate Enforcement", Department of Enterprise, Trade and Employment, 31st March 2009 at http://www.entemp.ie/press/2009/20090331a.htm.

able global economic environment. Ireland, being a small open economy, is more exposed to external shocks than larger economies.[40]

Some observers have criticised the "regulation-lite" policies of the Irish financial services regulator. The Irish principle-based and permissive policy illustrates the tension between competitiveness and transparency. In capital markets, for example, there is a significant enforcement gap between Irish and some foreign practice especially other common law jurisdictions such as the US, Canada and Australia. In broad terms, the dilemma faced by Ireland is between attracting trading volume and reducing the cost of capital. The regulatory and disclosure environment in Ireland reduces compliance costs and the low levels of enforcement mean increased business but both features risk greater insider trading and market manipulation.

The need to make regulations transparent and consistent will reduce the ability to shelter local industries or impose differential cost of compliance. In Ireland, a constant feature of the business interest groups' commentary on regulation is a comparison of the cost of "red tape" in the various member states of the EU. Naturally, each jurisdiction claims that others are less strict in their application of regulations. In some areas, especially food, medical devices and pharmaceuticals, where the US market is crucial, Ireland has had to conform increasingly to American regulatory standards and costs.

Ireland has, for the most part, avoided trade issues becoming political by granting statutory autonomy to its regulators, though clearly government departments do retain both informal and legal powers to influence them. The impact of local officials, national civil servants and politicians eliding the public interest with that of particular enterprises was at the core of Ireland's corruption scandal associated with the beef industry. At root, this and other incidences of corruption and localism arise from a failure on the part of politicians and regulation enforcers to administer with an "arm's length relationship".[41] In Ireland, reform has involved increased resources and training for enforcement officials, tribunals of inquiry and a change of public attitude regarding the economic and social impact of lax regulatory enforcement.[42]

A frequent criticism of the Irish regulatory regime is the inadequacy of parliamentary supervision. Annual reports sent to the legislature and ministerial accountability to the Oireachtas (parliament) are seen as inadequate.

[40] OECD Report p. 25.

[41] See Vito Tanzi, "Corruption, Arm's-Length Relationship and Market," in *The Economics of Organized Crime,* ed. Fiorentian Gianluca and Sam Peltzman (Cambridge: Cambridge University Press, 1995), 161–180.

[42] See Neil Collins and Mary O'Shea, *Understanding Corruption in Irish Politics* (Cork: Cork University Press, 2000).

The parliamentary oversight of regulation, regulators and regulatory change is as weak in Ireland as in other jurisdictions. The general forum for such scrutiny is the parliamentary committee, notably the Public Accounts Committee…, whose areas of current interest at any given time are very often determined by the reports of the Comptroller and Auditor General…on audited accounts and value-for-money studies.[43]

Notwithstanding the recent establishment of the Economic Regulatory Affairs Committee in the Oireachtas, level of parliamentary oversight of the regulators is poor. The new committee has been asked to take an overview of the system to supplement the routine interaction between the legislature and individual regulatory authorities. This is at least in line with Scott's view which is that Irish reformers need to look at the capacity and direction of the whole system or regime rather than the powers of individual regulators.

Ireland's political leaders accepted what Skidelsky calls the "efficient market hypothesis" - "the view that financial markets could not consistently mis-price assets and therefore needed little regulation". [44] The idea that the "market system is self-correcting" accounts for regulatory inactivity in the housing market despite clear overheating. Again, local organised business interests advanced the view of competition as the safeguard while governments used the resultant increases in revenue from building related activity to lower income tax and increase public spending

The Irish regulators have to balance the expectations of foreign investors and domestic entrepreneurs. Nevertheless, the unfolding of the financial crisis demonstrated that informal networks had shaped official regulation too closely to local interest, traditions and loyalties. It also shows a rather narrow perspective at least as applied to the financial sector:

From a domestic point of view, the (Central) Bank considers that if the prudential health of each individual credit institution is established, then there are no grounds for the overall system to fail… The primary measure of systemic stability…is the incidence of institutional failure.[45]

[43] Pat Nolan, *Dynamics of Regulation in Ireland* (Dublin: Institute of Public Administration, 2008), 70.

[44] Robert Skidelsky, "Where do we go from here?", *Prospect*, January 2009, sources at http://www.prospect-magazine.co.uk/article_details.php?id=10554.

[45] As reported by the Office of the Comptroller and Auditor General at http://audgen.gov.ie/viewdoc.asp?DocID=487&&CatID=5&StartDate=1+January+2009.

Regulation is a vital component of multi level governance but the economic consequences of a poor regulatory regime can be very severe. Equally, the political impacts of the perceived shortcomings of regulation are very significant. The classical economic arguments for regulation hinged on the competence of government.[46] At one level it was claimed that it would be inequitable to have governments as shareholders in newly competitive companies also setting and adjudicating on market rules. As a consequence, separate bodies at arms length from elected politicians were needed to ensure fairness. More tellingly, however, the advocates of regulation by autonomous agencies proposed that elected officials were apt to take decisions in the light of political considerations that were out of line with the logic of the market. They may protect jobs, locations and capital investments that were not yielding the maximum financial returns. Their focus would be on partisan advantage, vested interests and re-election. Haines, who examines various types of regulation in Australia, illustrates the problem from a regulator's perspective:

As the regulator stated, "Legislators never get it absolutely right, they always put stupid bits in." This created a challenge for the regulators, who then risked losing legitimacy when demanding that companies comply with regulations that lacked a defensible rationale.[47]

The 'stupid bits' were last-minute changes introduced in parliament that did not reflect market logic. In this non-economic policy making enterprise, the public choice critique would predict, the politicians, would be aided and protected by rent seeking bureaucrats with little empathy for commerce. The ultimate justification for removing powers from the politicians was the promise of better outcomes for the larger number of citizens. In parliamentary democracies, such as Ireland, the methods of accountability for the use of power by regulators were essentially unchanged.

The received wisdom among advocates for more regulation is that the politicians needed to be distanced from regulation so that the imperatives of economics could ensure, if not the most efficient allocation of resources, at least the necessary conditions for competition and innovation. The role of governments might include broad declarations of intent, such as balanced regional growth or environmental sustainability, but they should eschew detailed involvement.

[46] Bernardo Bortolotti and Enrico Perotti, "From Government to Regulatory Governance: Privatization and the Residual Role of the State," *The World Bank Research Observer* 22, 1 (2007), 53–66.

[47] Fiona Haines, "Regulatory Failures and Regulatory Solutions: A Characteristic Analysis of the Aftermath of Disaster," *Law & Social Inquiry*, 34, 1 (2009), 44.

The gradual creation of institutions partially shielded from political power must become central to the development of an optimal mode of regulatory governance.[48]

The role of parliaments is to hold governments to account for broad policy directions and to engage in oversight of ministers on behalf of the electorate. Thus, in Ireland, ministers could give broad policy guidelines to regulators as long as these were general and lacked ambiguity and regulators were to send accounts of their conduct periodically to parliament. Indeed, the first telecommunications regulator resisted even this level of scrutiny declaring in 1998 that her office was fully independent.

In practice, the Oireachtas, particularly before the current crisis, has exercised little oversight and is probably ill equipped to do so. Indeed recent attempts at parliamentary reform in Ireland have focused on improving the efficiency function of parliament (see Murphy 2006). This may conceivably have served to further undermine the scrutiny function of the Oireachtas in ways that facilitate 'light touch' regulation.49 Expressed in public choice terms, Maegli, Jaag and Finger point out: "*Agency problems between government and regulatory agencies occur because regulators' actions are intrinsically unobservable…governments usually lack control mechanisms which enable them to have an effective and direct impact on the regulatory agency's behaviour*". [50]

The regulatory regime is complex and wide-ranging but the claims made for it are high. The system corrects the market when inefficiencies are detected so that ultimately the consumer is advantaged through competition or, at least, the abuse of dominance by large or conspiring businesses. It mandates ethical business and deters rogues. As Hirshleifer's overview of psychological bias as a driver of financial regulation warns: *The illusion of control, another aspect of overconfidence, tempts observers to think that they know how to avert bubbles and crashes. After adverse outcomes, this leads commentators to condemn as inadequate the existing regulator or regulatory system. Such outcomes incite calls for more active intervention and new regulation*.[51]

[48] Bernardo Bortolotti and Enrico Perotti, "From Government to Regulatory Governance: Privatization and the Residual Role of the State," *The World Bank Research Observer* 22, 1 (2007), 53.

[49] Mary C. Murphy, "Reform of Dáil Éireann: The Dynamics of Parliamentary Change," *Parliamentary Affairs* 59, 3 (2006), 437–454.

[50] Martin Maegli et al. "Governance Costs in Postal Regulation: Towards a Proper Definition of Regulatory Governance Costs (and its Evidence in the Postal Sector)," *Journées Francophones de L'ESNIE 2009*.

[51] David Hirshleifer, "Psychological Bias as a Driver of Financial Regulation," a keynote address to the European Financial Management Association Annual Meetings in Vienna, Austria in June 2007, available at http://mpra.ub.uni-muenchen.de/5129/.

The limits of the system are now clearer. Financial markets became too intricate and their governance to opaque for the regulators to cope. Other sectors exhibit similar regulatory shortfalls. Nevertheless, as Braithwaite outline the growth of regulation seems inexorable:

More vibrant markets in goods come with more vibrant markets in bads. While vibrant markets in goods and services have delivered prosperity and peace to a more interconnected Europe and a more interconnected world, and therefore legitimacy for elites, more vibrant markets in bads engender legitimation crises. …Regulatory capitalist legitimation crises tend to be cyclical. Each crisis cycle tends to ratchet regulation up a notch.[52]

Not surprisingly, therefore, the G20's response is for more regulation and at levels above the state. Even though, as Helleiner and Pagliari observe: "*Without governance reform, the FSF [Financial Stability Forum, the propose umbrella organisation] and other narrowly constituted standard-setting bodies lack the legitimacy to effectively direct a global regulatory response to the current crisis*".[53] New institutions for international regulatory regimes even further removed for the electors. In the meantime, it is the politicians who are the subject of popular criticism, whose names are known to the people and from whom accountability is sought. Scott offers an interesting if tangential view: *The paradox of regulatory agencies is that they frequently possess too much power outside the normal structures of ministerial responsibility to be legitimate, but too little power to secure the outcomes sought*.[54]

He may well be correct that too much is anticipated of regulators given their actual authority but the central issue remains the link to long established democratic norms. As Majone argues: Delegation of important policy-making powers to non-majoritarian institutions raises novel problems of democratic legitimacy. …[But these] problems should be tackled not by limiting the independence of the regulators, but rather by strengthening the accountability structure.[55]

In a parliamentary system, especially for unitary states[56] such as Ireland, these structures need to be linked to the legitimacy of the legislative process, which

[52] Keynote speech by John Braithwaite (2008) "The History of Regulation Around The Globe" at the second biennial conference of the ECPR Standing Group on Regulation at the University of Utrecht.

[53] Eric Helleiner and Stefano Pagliari, "The G20 Leaders' Summit and the Regulation of Global Finance: What Was Accomplished?," (Waterloo, Ontario: The Centre for International Governance Innovation, 2009), 10.

[54] Colin Scott, "Regulating Everything," Geary Institute Discussion Paper (Dublin: University College Dublin, 2008).

[55] Giandomenico Majone, "The regulatory state and its legitimacy problems," *West European Politics* 22, 1 (1999), 1.

[56] See Galperin (2004) for a comparison of regulation in a federal state.

does not depend on public acceptance of output. Rather it allows verdicts on performance and proposals for new directions to be made in the context of explicit public support. The irony is that political institutions have ceded power to regulatory systems on the foot of economic arguments while the mechanism of accountability have been shown to be inadequate. Political parties, pluralism, ministerial accountability, elections and parliamentary scrutiny have, to varying degrees, failed to guarantee democratic control and popular trust in political institutions and the economic levers are proving inadequate for purpose. It is time for a rebalancing of academic attention from the economic to the political agenda.

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DEMISE OF POLITICAL PARTIES:
AN ANALYSIS OF COALITION-BUILDING ON THE LOCAL LEVEL IN SLOVENIA

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In parliamentarian democracies one can only rarely witness a single party winning a majority in a representative body; therefore, the processes of building a coalition and coalition government are especially important. We depart from the presupposition that, when formulating their priorities, political parties pursue three particular objectives: to gain power, to acquire a policy-making influence and to gain the greatest possible voter support at the next elections. We presume that political parties wish to have as few coalition partners as possible, they especially follow ideological proximity and the possibility of carrying out their political programme when choosing a coalition partner and they often choose a coalition partner in order to distribute the accountability for managing a municipality and to thus reduce the possibility of being punished by voters at the following elections due to mismanagement of the municipality. The article analyses the process of post-electoral coalition-building in Slovenian municipalities from the standpoint of the cohabitation of the executive and legislative branches of government within a municipality from 1998 until 2006. The main research question is whether various forms of ruling coalition can represent an obstacle to efficient government within a municipality. We ascertain that project-based co-operation is gradually becoming the prevailing form of co-operation within Slovenian municipalities, meaning that local councillors are being less and less led by party interests.

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Theoretical approaches to the problématique of local-level coalition-building

Coalitions involved in the formation of various forms of local authorities are – especially on the European continent – a relatively common and well-known phenomenon. It is therefore even more surprising[2] that the phenomenon of coalition-building at the local government level has so far not been given much significant attention in the scientific-professional realm. The theoretical approaches to the study of coalitions and coalition-building are of course immense and frequently appear in studies of the mentioned phenomena at the national level. Within the framework of our research and this article we seek to establish how to make use of the relatively extensive literature referring to coalition-building at the national level of government for coalition-building at the local level.

By the term *coalition* we understand any combination of separate players (such as political parties) to win a voting game. The most common form of coalition arises where legislation requires a majority to pass but no single part controls at least half of the seats in the assembly. *A coalition partner* is any actor (political party, independent list, individual) that continuously supports the coalition with all the votes at its disposal in a representative body. Any actor within a representative body can be either a member of a coalition or opposition and there is no option (at least according to the evidence suggested by coalition theories) in between.[3] However, in the real world such "intermediary" actors do exist and are also well known in the Slovenian political arena. Of course, coalitions can form at any time but they generally nevertheless form prior to or after elections.

During the last few decades, theoretical research on coalitions and coalition-building has developed within two relatively differing and mutually independent analytical traditions. The first is the tradition usually referred to by the majority of authors as the "European politics tradition", which we follow in our observation and explanation of coalition-building at the municipal level of Slovenian local self-government. This approach to the study of coalitions resorts to empirical data analysis when studying the great issues of the politics of (foremost) European states. The style of theoretical approach within this research tradition is mostly inductive in nature. Its purpose is to provide useful and interesting generalisations of coalition-binding and coalition-building on the basis of a systematic analysis of data deriving from the real world or actual coalition-building in different countries. Examples of the application of this approach are found

[2] See Michael Laver, "Theories of coalition formation and local government," in Political parties and coalitions in European local government, ed. Colin Mellors and Bert Pijnenburg (London and New York: Routledge, 1989), 15.

[3] Abram De Swaan, Coalition theories and cabinet formations (Amsterdam, New York and London: Elsevier scientific publishing company, 1973), 143.

in the works of Axelrod[4], Dodd[5], Budge and Herman[6], Paranjoy[7] and many others. The works of all these scholars are essentially theoretical as they deal with general explications regarding the formation of specific coalitions and the distribution of power among their constitutive parts. However, at the same time the works of these authors are also relatively empirically oriented in the sense that the preset theoretical premises are "tested" against empirical data from various (European) states.

The second tradition in the study of coalitions and coalition-building is the so-called "game theory tradition" which sees the coalition-building process as a special kind of social interaction, forcing its actors (political parties or their representatives) to negotiate since mastering this process is the necessary condition for "winning the game". The game theory tradition is based on deduction as it tries to form models of coalition-building on the basis of *a priori* determined anticipations about the negotiating positions of individual actors. Examples of the use of this research tradition are found in the works of Riker[8], Grofman[9], Schofield and Laver[10], and many others. These works are theoretically conceived and largely abstract in nature so they can be used in various situations.[11] However, the key dynamics of these theories do not derive from their testing based on actual empirical data from different European states, but from their own internal logic.

Yet both research traditions encounter similar difficulties; one of the most common is the lack of useful empirical data, especially concerning the very process of forming a certain type of coalition in a strictly specified and specific national environment. At the same time, the variations among different states are so immense that they often require every theory to be tested within a single specific national environment. Consequently, this entails that even very similar or the same kinds of coalitions cannot simply be compared with one another and without any convincing and methodologically based argumentation. Such limitations on the research of coalitions at the national level open some fairly

[4] See Robert Axelrod, Conflict of interest; a theory of divergent goals with application to politics (Chicago: Markham, 1970).

[5] See Lawrence D. Dodd, Coalitions in parliamentary government (Princeton: Princeton University Press, 1976).

[6] See Ian Budge and Valentine Herman, "Coalitional government formation: an empirical relevant theory," British Journal of Political Science 8, 8 (1978), 454–477.

[7] Guha T. Paranjoy, A time of coalitions: divided we stand (New Delhi and London: Thousand Oaks, SAGE, 2004).

[8] William H. Riker, The theory of political coalitions (New Haven: Yale University Press, 1962).

[9] Bernard Grofman, "A dynamic model of protocoalition formation in ideological N-space," Behavioural science 27, 1 (1982), 77–90.

[10] Norman Schofield and Michael Laver, Multiparty government: the politics of coalition in Europe (Oxford: Oxford University Press, 1990).

[11] For instance, coalitions of different companies within cartels, coalitions of states within international organisations and, of course, coalitions of political parties in the formation and leadership of governments.

intriguing possibilities for the study of coalitions and coalition-building at the level of local government. Namely, in the terms of the research coalitions at the local level of government are, compared to those at the national level, still a true *terra incognita*. The existence of a greater number of coalition communications in a bigger number of different local settings, within one state and among the same political forces, offers a *de facto* possibility for a researcher to elaborate a sophisticated empirical analysis since the key factors of observation within the system (legislative setting, actors) are constant.

Accordingly, some key notions which will enable us to more accurately analyse coalitions and coalition-building at the local government level in Slovenia must be defined. While a definition of government at the national level can probably be perfectly clear, this is not the case of the definition of government at the local level. The local-level executive is often represented foremost by a career bureaucracy (*local administration*) which in some countries (including Slovenia) is indirectly headed by an either directly or indirectly elected executive body of local self-government (a mayor). The legislative body within local government communities is most often represented by elected local politicians who perform their function non-professionally. In the majority of states no constitutional or functional equivalent to a government or ministers at the national level can be found, even though some working bodies and their presidents have at their disposal a relatively large influence on specific areas of local policies. Such a lack of a clear local equivalent to national government opens up interesting theoretical problems on at least two levels. At the most general level, we have to foresee as clearly as possible the motivational factors of the various actors during the process of coalition-building; then, we have to foresee in which political space and with what aim or intention "local" coalitions are to be formed.

In order to understand coalition behaviour and conduct at the local government level, we must first define the institutional and political rules[12] which determine the boundaries that exert a key influence on the processes of establishing, formation and operating of coalitions. Here the question surfaces of whether subtle and unstable "arrangements", which seem to be even more frequent than formal, transparent and written coalition agreements, can be understood

[12] The Slovenian local electoral system regulates the election of various local self-government bodies – the legislation regulates not only the elections of municipal councils but also the elections of mayors (throughout Slovenia mayors are elected by a two-round voting system with an absolute majority) and the elections of local, village and district community councils. The elections of municipality councils use two completely different voting systems. For municipalities with a lower number of members of municipal councils (twelve or less; there were 60 such municipalities at the last local elections) the majority voting system is used. It is a single-round voting system with relative majority (i.e. first-past-the-post) enabling better chances for individuals and reducing political room for parties, which also facilitates the election of non-partisan candidates. Municipalities with a larger number of municipal council members use the proportional voting system which is about voting for lists of candidates. Here, according to the principles of local self-government a certain level of voter influence on the choice of persons is also provided for and done by a vote of preference.

as coalition arrangements at all and whether this is the case of coalition or some other form of co-operation. The differences between coalitions at the national and local levels of government concern both the nature of actors and the nature of their aims.[13] At the national level, the actors involved in the coalition-building process are, in the vast majority of cases, political parties; this is less the case with the local level where, apart from political parties, a multitude of other actors is present, ranging from various civil society and pressure groups to more or less independent candidates and candidates nominated by groups of voters. At the local level, one can always find territorial areas where political parties play a less important role and where they might even be absent. Local politics thus often "happens" within a more intimate, less formal atmosphere where local political leaders and their personalities are often more important than internal party rules as far as the coalition-building process is concerned. Certainly, coalition-building at the local level is often heavily influenced by both the institutional framework determined by state institutions (electoral system, the degree of financial autonomy, legislative responsibilities, limitations of competencies etc.) as well as by political parties' centrals (that prefer or exclude the possibility of co-operation with specific political parties and/or other actors at the national level and transfer these preferences to the local level).

Analysis of coalition-building in Slovenian municipal councils – the 1998–2002 and 2002–2006 terms

The results of local elections in Slovenia reveal the success of independent candidates which can, in the first place, be attributed to the use of a two-round, absolute majority voting system for the elections of mayors. At the same time, local elections are more suitable for the assertion of the passive suffrage on the part of independent, non-partisan candidates. Because of a fairly strong tradition of non-partisanship, voters, especially at the local level, would rather choose to support a candidate they personally know and who is not aligned with any party.[14]

The research on post-electoral coalition-building at the local level in Slovenian municipalities during the 1998–2002 and 2002–2006 terms took place from November 2006 to February 2007. The research included all of the then 193 municipalities established either prior to or in 2002. Sample realisation ranged from 79.3% to 81.3% depending on the variables observed. The data analysis sought to look for the presence or absence of a causal relationship between the mayors' party (non-)allegiance and the forms of coalition-building within the

[13] See Colin Mellors and Bert Pijnenburg, Political parties and coalitions in European local government (London and New York: Routledge, 1989), 12.

[14] See Miro Haček, "The phenomena of independent candidates on local elections," in Local democracy: the analysis of local elections 2002, ed. Marjan Brezovšek et al (Ljubljana: Faculty of Social Sciences, 2004), 71–72.

municipal councils of Slovenian municipalities. A provable relationship between two variables can enable us to shape an applied model for predicting the most probable form of coalition-building depending on a mayor's party allegiance. Further, we also observed the relationship of both variables[15] with regard to the size of a municipality (as a number of inhabitants). Namely, this last comparison can demonstrate the main differences among Slovenian municipalities. A combination of various methods was used to collect data for all three variables: (1) the mayor's party allegiance; (2) the form of coalition-building in a municipal council; and (3) the municipality's size.

The analysis of coalition-building in Slovenian municipalities involves four key research questions:

(1) the percentage of a certain form of coalition-building in Slovenian municipalities;

(2) the form of coalition-building according to the mayor's party allegiance (does the mayor's party allegiance prejudice a form of coalition co-operation);

(3) the form of coalition-building in respect of the municipality's size (does a certain size of a municipality prejudice the form of coalition-building); and

(4) a mayor's party allegiance regarding the size of the municipality (does a municipality's size prejudice the party allegiance of the mayor).

The data on the mayors' party allegiance (1) in all Slovenian municipalities during both terms included in this part of analysis (1998–2002 and 2002–2006) are partly accessible at *Državna volilna komisija* (the National Electoral Commission).[16] However, the data were further checked at the municipalities' headquarters (in some places mayors had resigned, died or ceased to perform their function in some other way; in such cases, we included the party allegiance of the mayor with the longest tenure). Candidates who did not run in elections as candidates of any political party were deemed independent candidates; mayors supported by more than one political party at elections were designated mayors of coalitions (a C-R coalition – a coalition of centre-right parties; and a C-L coalition – a coalition of centre-left parties; and a mixed coalition, whereby a candidate received support from at least one party from each political pole at elections),

[15] In this case, the variable of the "mayor's party allegiance" was a dependent one as well, even though we treated it as an independent one when we compared it with the variable of "form of coalition-building".

[16] Državna volilna komisija (National Electoral Commission), www.rvk.si (accessed on 10 September 2008).

while the remaining mayors were included according to the list of the political party they belonged to during elections.[17]

To better present the gathered data, we categorised them as follows: centre-left (mayors of the LDS, ZLSD/SD and of centre-left coalitions), centre-right (mayors of the SDS, SKD/NSi, SLS and of centre-right coalitions), independent (mayors, elected from non-partisan or independent lists) and other (SNS, DeSUS, DS).

The data on the forms of coalition-building in municipalities during the two studied terms (2) were gathered using the interview method in the municipalities involved, whereby we specifically stressed the descriptive classification of the form of coalition-building; the survey respondents were not burdened by predefined types of answers but were left to freely describe the coalition co-operation. Here, we must emphasise the initial finding that in the vast majority of cases of municipal coalition co-operation no coalition agreements or similar written documents were entered into. On the basis of the gathered information, we could then form a categorised list of different forms of coalition co-operation:

- a majority coalition (controlling at least one vote more than half of all possible votes in a representative body) of centre-right parties;
- a majority coalition of centre-left parties;
- a majority coalition of maximum distance (a coalition of political parties from the left and the right poles);
- a majority coalition of the independent (a coalition only comprising councillors from independent lists);
- an "unknown" majority coalition (we could not gather data on who constituted the majority coalition);
- a minority (it controls less than half of all the seats in a representative body, yet controls the power within a local community) centre-right coalition;
- a minority centre-left coalition;
- a minority coalition of maximum distance (a coalition of political parties from the right and the left poles);
- a minority coalition of the independent (a coalition only composed of councillors from independent lists);
- a "unknown" minority coalition (we failed to gather data about the members of a minority coalition); and
- no coalition – project-based co-operation.

[17] LDS – Liberalna demokracija Slovenije (Liberal Democracy of Slovenia), SDS – Socialno demokratska stranka/Slovenska demokratska stranka (Social Democratic Party/Slovenian Democratic Party), ZLSD/SD – Združena lista socialnih demokratov/Socialni demokrati (United List of Social Democrats/Social Democrats), SLS – Slovenska ljudska stranka (Slovenian People's Party), SKD – Slovenski krščanski demokrati (Slovenian Christian Democrats), NSi – Nova Slovenija (New Slovenia) and SNS – Slovenska nacionalna stranka (Slovenian National Party).

For the further analysis we grouped the abovementioned forms into simpler and analytically more suitable forms of coalition co-operation. All the forms of majority coalitions were grouped in a new category of *majority coalition* and all the forms of minority coalitions were grouped in a new category of *minority coalition*; and those cases where no coalition was built were grouped in a new category labelled *no coalition – project-based co-operation*.

The size of a municipality was an independent (control) variable (3), expressed as the number of inhabitants. On the basis of these data, we classified the municipalities in the following groups: (1) up to 2,000 inhabitants; (2) from 2,001 to 5,000 inhabitants; (3) from 5,001 to 10,000 inhabitants; (4) from 10,001 to 20,000 inhabitants; and (5) above 20,000 inhabitants.

Forms of Coalition-building in Slovenian Municipalities

Let us first look at the data on the form of coalition-building that is most frequently present in the municipal councils of Slovenian municipalities. The most common form of co-operation in the municipal councils was project-based co-operation, meaning that councillors voted on each individual proposal (project) separately; they had hence not entered into any (written) agreements to support decisions according to their party allegiance and (as many survey respondents said) they were first and foremost led by local and not by party interests. During the 1998–2002 term, arranged co-operation on individual projects (project-based co-operation) was present in 58 percent of the municipalities and, in the following 2002–2006 term, these figures underwent a decrease in half of all municipalities.

This is followed by the formation of a majority coalition; in the 1998–2002 term, majority coalitions were built in 34 percent of municipalities while in the 2002–2006 term this occurred in 38 percent of cases. If we further analyse the forms of majority coalitions prevalent within this category, we may conclude that in 1998–2002 term, centre-right coalitions were the most common (in 20 municipalities), whereas the remaining forms of majority coalitions were approximately evenly represented (about 12 municipalities each[18]). The 2002–2006 term witnessed a significant rise in the number of "coalitions of maximum distance" (from 11 to 18 cases), the number of centre-right majority coalitions fell from 20 to 18, while the number of centre-left majority coalitions was halved (from 12 during the 1998–2002 term to 6 during the 2002–2006 term). The remaining forms are underrepresented.

Just as we expected, the minority coalitions were the least represented form of coalition-building. In the 1998–2002 term, these were found in 8 percent of all the municipalities observed[19] and, in the following term, they were found in

[18] 12 centre-left majority, 12 unknown majority and 11 maximum distance majority coalitions were built.

[19] In 12 municipalities (N=146).

12 percent of all municipalities.[20] In the first of the observed terms, centre-right, centre-left and unknown minority coalitions were equally represented (in three municipalities each) and a majority coalition of maximum distance and a majority coalition of the independent were present in a single municipality each. In the 2002–2006 term we found the relatively significant growth of centre-right coalitions (they appeared in nine municipalities), while the remaining categories were at approximately the same level as in the preceding term.

It is interesting to see an increase in both minority and majority coalitions as regards project-based co-operation in the second researched term (2002–2006). Possible reasons for this change are: (a) a growth in the number of elected independent mayors who, as a countermeasure, "demand" a more organised municipal council; (b) the standard deviation of the gathered data that enables the oscillation of answers; (c) the growth of local political elites' awareness of the importance of local political decisions, consequently entailing a more organised and professional political arena; and (d) the maturity of the local political elite.

Forms of Coalition-building in Municipal Councils According to Mayors' Party Allegiance

If the primary data on the forms of coalition-building are upgraded with an analysis of the influences on the formation of connections among councillors, then the mayor's party allegiance figures as one of the most important independent variables. A mayor is closely tied to a municipal council. He has the right of initiative on whose basis they propose that a municipal council adopt a budget, close accounts, make decrees and all other acts within a municipal council's jurisdiction. He summons sessions of a municipal council and presides over them and, in the office of an executive body, provides for the public implementation of decisions made by the municipal council. A mayor is also a guardian of legality and constitutionality and can, if the act of a municipal council is against the law and/or Constitution, withhold its publication. The role of mayors and municipal councils in decision-making processes is closely interwoven and interdependent.

For the purpose of allowing a better overview we categorised both variables – the mayor's party allegiance and the form of coalition co-operation. For the term 1998–2002 we concluded that centre-left mayors were more inclined to the formation of majority coalitions and even more so to the project-based governing of municipalities. Obviously, they either looked for a strong foothold in municipal councils or, in the case of more salient projects, decided for the widest co-operation possible. There were some exceptions; for example, one of the municipalities with a mayor with allegiance to the Liberal Democrats witnessed the formation of a centre-right coalition and in two other such municipalities majority coalitions of maximum distance were built. Therefore, it seems that the

[20] In 19 municipalities (N=157).

mayor's party allegiance is certainly not the only factor that (can) affect(s) the form of co-operation within a municipality, yet the prevailing numbers of coalitions encompassing politically-related parties indicate that there is some causal relation. On the other hand, centre-right mayors more frequently tended (albeit still relatively rarely) to decide on the formation of minority coalitions as far as the share of the latter is concerned. Of all the centre-right parties, the Slovenian People's Party (SLS) stood out because maximum distance majority coalitions tended to form more frequently in those municipalities where its mayors had won the elections.

In 69.5 percent (32 cases) of municipalities where independent mayors won the elections, the project-based governing of municipal councils was opted for. Independent candidates or candidates of independent lists were obviously less prone to the (political) influences of municipal councils where political deals made in advance are possible. However, if municipal councils built coalitions in the presence of independent mayors there was a greater possibility of a centre-left coalition (be it a majority or minority).

If we compare the situation during the following term (2002–2006) we can conclude that municipalities with centre-left mayors retained almost the same number of majority coalitions built (12 in the 1998–2002 term and 11 in the 2002–2006 term), while the number of municipalities with project-based co-operation rose somewhat (from 14 municipalities during the first term to 18 during the second). In those municipalities where centre-right mayors were elected, an elevated percentage of majority coalitions can be observed during the second term while the share of project-based co-operation decreased within these municipalities. If we look more closely at the prevalent forms of majority coalitions in municipalities with centre-right mayors, we can argue that these mayors usually built coalitions among centre-right parties. The probability of a centre-right coalition being formed in a municipality having a centre-right mayor was 82 percent, which is significant enough for us to corroborate a causal relationship between the mayors' party allegiance and the party composition of coalitions within municipal councils. A possible explanation of this high figure is the development of the local organisation of a certain party which, in most cases, had composed both a list of candidates for members of the municipal council and nominated a candidate for the mayor. The presence of an individual party thus to some extent assumes (especially in smaller municipalities with fewer candidate lists) a certain share of elected municipal councillors who then, under the auspices of a mayor from an ideologically related political option, attempted to form a majority coalition in a municipal council to ensure municipal operations were as uninterrupted as possible.

The second analysed term (2002–2006) witnessed a change in the proportion of the mentioned forms of coalitions with independent mayors elected to the function. The share of majority coalitions rose by almost one-tenth, the share

of minority coalitions doubled, while the share of project-based co-operation dropped by more than 15 percent. In those municipalities with independent mayors, maximum distance majority coalitions were the most frequent. The marked increase in the share of coalition-building in almost all categories (the slight decrease among centre-left mayors being an exception) indicates that local political elites were undergoing a politicisation and organisation, that there were fewer and fewer projects left for coincidental co-operation and momentary support for the governing option, or even that the mayors' experience told us that, to ensure uninterrupted work, it was better to form a consensual majority already at the beginning. However, the share of project-based co-operation, i.e. the non-formation of a coalition, still remained the biggest so this was the most common form of local-level decision-making, although the first signs of an opposite trend have been spotted.

We can conclude that during the 2002–2006 term the connection between the centre-left and independent groupings was no longer so close. Those municipalities where independent mayors were elected showed a three times higher number of maximum distance majority coalitions (for the 1998–2002 term the respective number of such coalitions in the presence of independent mayors was two and for the 2002–2006 term it was six). The trend of coalition-based co-operation was obviously slightly tilting towards the politicisation of local political elites and towards a more general awareness that local policy-making can be undertaken provided that a consensual majority is built in advance.

Forms of Coalition-building According to the Size of Municipalities

The second independent variable used to analyse the specificities of coalition-building in Slovenia is the size of a municipality (in terms of the number of inhabitants within a municipality). Namely, a municipality's size directly influences the number of members of a municipal council which (could) consequently mean(s) that the ways of co-operation among councillors depend on their numbers. As regards the smallest municipalities (up to 2,000 inhabitants), the 1998–2002 term showed that project-based co-operation used to prevail. It seems that the small number of councillors somehow reduced the possibility of whatever form of coalition being built. The share of municipalities with somewhat more inhabitants (from 2,001 to 5,000 and from 5,001 to 10,000) whose councils did not form any coalitions (project-based co-operation) was the same as for their smaller counterparts. This supports the supposition that, in small municipalities with up to 10,000 inhabitants, there was not much space for political alliances or, to put it differently, that local interests prevailed over political ones.

However, the same cannot be said of the two largest categories of municipalities (above 10,001 inhabitants) as project-based co-operation was revealed in "just" 46 percent of the municipalities with 10,001 to 20,000 inhabitants and in the largest municipalities (over 20,000 inhabitants), this share was further reduced to 23 percent. At the expense of this form of municipal co-operation, the

percentage of majority coalitions increased especially in the largest municipalities where 70 percent of all forms of party co-operation were due to this type.

During the 2002–2006 term, the ratio among the forms of councillors' co-operation remained almost the same in the smallest municipalities (up to 2,000 inhabitants). Growth in the formation of minority coalitions during this term can be detected in all categories of municipalities under scrutiny, possibly once again indicating the politicisation of the local decision-making arena. For mid-sized municipalities (from 2,001 to 5,000 inhabitants) the percentage of no coalition within municipal councils, i.e. with co-operation on individual projects, was the same as for the small ones. Once again, the mid-sized municipalities (from 5,001 to 10,000 inhabitants) showed no change in trend (except for an elevated share of minority coalitions) and that the share of project-based co-operation was the same as in the previous two categories of municipalities. Yet if a comparison with the preceding term is made one can see that the percentage of majority coalitions was larger than the so-called project-based co-operation, indicating that the growing size of a municipality increased the chances of majority coalitions being built.

This comparative analysis of the two studied terms allows us to conclude that: (1) the proportion of minority coalitions was slowly rising regardless of the municipalities' size; and (2) that the share of project-based co-operation was decreasing and the probability of majority coalitions was increasing with the growing size of municipalities. In the 2002–2006 term this characteristic was already expressed in large municipalities (10,001 to 20,000 inhabitants) and not, as in the preceding term, exclusively in the largest ones (more than 20,000 inhabitants).

Mayors' Party Allegiance According to the Size of Municipalities

Apart from other correlations, we also observed the influence of the independent variable of the size of a municipality on the party allegiance of an elected mayor; one of the most often exposed correlations in public, as it has often been argued that a smaller municipality almost automatically entails a centre-right mayor and vice-versa.

In the 1998–2002 term the prevailing mayor allegiance in the smallest municipalities (up to 2,000 inhabitants) was to the centre-right (7), followed by the independent (6); the percentage of centre-left ones was significantly lower. A similar share was reflected in the moderately small and moderately large categories (2,001 to 5,000 and 5,001 to 10,000). The centre-right mayors unquestionably held the largest portion. The trend turned with the large (from 10,001 to 20,000 inhabitants) and the largest (over 20,000 inhabitants) municipalities. The former witnessed a complete equalisation of the percentage of centre-left and centre-right mayors and the latter had almost twice as many centre-left mayors

than centre-right ones. We can conclude that, during this term, centre-right mayors were prevalent in smaller municipalities (these are also mostly rural).

Compared to the 1998–2002 term, the 2002–2006 term had a significant increase in the percentage of independent mayors; as a rule, this was usually at the centre-right mayors' expense. Especially successful were the independent mayors in the smallest municipalities (up to 2,000 inhabitants) where they accounted for 65% of all mayors. The share of centre-left mayors from the smallest municipalities remained the same for both terms. A similar percentage can be found with the categories of moderately small and moderately large municipalities. Centre-right mayors overwhelmingly achieved the lion's share and the difference between them on one side and the independent candidates on the other increased at the latter's expense. In moderately small municipalities (from 2,001 to 5,000 inhabitants), the percentage of independent mayors rose as well (from 37% to 43%) with the proportion represented by other mayors remaining more or less intact.

If the abovementioned data are taken into consideration, one can establish that, despite the growth in the trend of coalition-building within municipal councils indicating the politicisation and higher level of organisation of the local decision-making arena, the depoliticisation of the polity was taking place at the same time because, during the 1998-2006 period, voters increasingly opted for independent candidates. If both trends are merged, the mayors' *de facto* independence comes into question since as soon as they took up office they were eager to make some form of political connections.

Conclusions

As we predicted, the concluding findings may somewhat deviate from the statistically processed data especially because of individual municipal councils where the balance of power could change even during the current term for objective or subjective reasons, making the definition of the form of co-operation even more difficult. Since the analysis of coalition-building in Slovenian municipalities refers to the four main points: (1) to establish the percentage of individual forms of coalition-building in Slovenia; (2) to find out the form of coalition-building we can expect according to a mayor's party allegiance in a municipality or whether a mayor's party allegiance can prejudice a form of coalition co-operation; (3) to establish which form of coalition-building corresponds to the size of a municipality or whether municipality's size somehow prejudices the form of coalition-building; and (4) what a mayor's party allegiance is according to a municipality's size or whether a municipality's size somehow prejudices the mayor's party adherence; the following can be stated:

(5) During the two observed terms, project-based co-operation prevailed within Slovenian municipalities which could mean that councillors were led by local and not party interests. If we look at this phenomenon in time, we can detect growth in both the presence of minority and majority project-based coalitions at the expense of the absence of formal party coalition co-operation. The possible reasons behind this change were: (a) an increase in the number of elected independent mayors, hence a more organised municipal council was "needed" to act as a counterbalance; (b) the standard deviation of the collected data which enabled fluctuations of answers; (c) growth in local political elites' awareness of local political decisions which led to a more organised and more professional polity; and (d) the maturity of the local political elite.

(6) A mayor's party allegiance and the form of coalition co-operation within a municipal council were not entirely causally dependent; however, some rules are indicated. We can say that during both terms centre-left mayors were more inclined to form majority coalitions and, to an even greater extent, to the project-based governing of municipalities. It is evident that they either looked to the municipal councils for a strong background or, on the other hand, decided for unified co-operation on bigger projects. Of all the centre-right parties, the Slovenian People's Party was the most prominent one as the municipalities in which its mayors were elected more often witnessed the formation of maximum distance majority coalitions. Municipalities with an independent mayor elected witnessed their municipal councils adopt project-based governing in 69.5% of cases. The marked increase in the share of coalition co-operation in almost all categories for the 2002–2006 term, indicates that local political elites were undergoing politicisation and organisation and that an ever decreasing number of projects was left to coincidental co-operation and ad hoc support. Nevertheless, the percentage of project-based co-operation, e.g. of the formation of no coalition, still reveals that this was the most frequent form of local-level decision-making. However, the first signs of a differing trend have been detected.

(7) If we look at the influence of a municipality's size on coalition-building during the past two terms we may conclude that in the smallest municipalities (up to 2,000 inhabitants) project-based co-operation prevailed in municipal councils. Yet the larger the size of a municipality, the greater the probability there was of a majority coalition being formed. Since we are comparing the two terms, we can say that: (a) the share of minority coalitions was on the increase regardless of the size of municipalities; and (b) the proportion of project-based co-operation decreased as the size of municipalities increased and the probability of majority coalitions being built rose.

(8) Similarly, a municipality's size was related to a mayor's party allegiance during both of the terms as we found that small or medium-sized municipalities had a greater probability of having a centre-right mayor, while the large or the largest ones were more likely to have centre-left mayors. At the same time, the number of independent candidates was on the rise, which is inconsistent with the growth in the share represented by majority or minority coalition-building within Slovenian municipalities.

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JAPAN MOVES CLOSER TO BECOMING A TRUE DEMOCRACY:

MOVING FROM A ONE-PARTY TO A TWO-PARTY SYSTEM WITH ALTERNATION IN POWER

Ronald J. HREBENAR[1]

In August 2009, Japan finally joined the ranks of fully democratic nations---fully 64 years after the end of World War II. While Japan has been a "democracy" since the late 1940s, it lacked one essential ingredient of a full democracy, alternation in power among its major political parties as a result of general elections outcomes. The Liberal Democratic Party (LDP), formed in 1955, had never lost power on the national level since its formation as a result of an election defeat. The Democratic Party (DP) won a landslide victory in the House of Representatives elections at the end of August, 2009 and its leader, Yukio Hatoyama, became prime minister and formed a non-LDP cabinet. With this historic outcome, has Japan finally become a two party nation? Has Japan established a normal tradition of alternation of political elites in power? Not yet! This should be viewed as a great opportunity to finish the democracy building process started by General Douglas MacArthur in 1945. The DPJ, if it is successful, will establish the principle that the long term opposition can govern effectively and deserves the publics periodic support. If it fails, Japan could easily return to the one-party electoral domination of the LDP as the only group of political elites capable of governing Japan. The next several years will be very important for the future political direction of Japanese politics and the likely outcome of this process is very uncertain.

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Introduction

From 1955 to 2009, no Japanese prime minister lost power as a result of a loss in a House of Representatives election defeat. The ruling LDP went decade after decade without an alternation in power as a result of electoral defeat. In many respects, Japan had one of the last of the de facto one party states. Others in that category, Mexico, Sweden and Italy, for example, have had their ruling parties lose power years ago, but the Japanese LDP dominated system just kept going and going.

As 2009 unfolded, there was a ripple in the political discussions in Tokyo and other Japanese cities. Almost everyone agreed that LDP Prime Minister Aso's days as the nation's political leader are getting very short. In fact, a tidal wave of change was approaching Japan. The ruling LDP had been on the rocks for years and in recent years, a prime minister lasted about one year. With the exception of Prime Minister Koizumi (2000–2005) there was one failed leader after another. A change of prime minister was certainly coming and probably a change in ruling party, but the bigger question—the much bigger question, was what will happen to the Second Party System?

Since the last House of Representatives general election was held in 2005, the prime minister was required to call for new elections by September, 2009. All 480 members of the House would be elected and many political observers have suggested that the opposition Democratic Party may win a mandate to government Japan on the national level for the first time in its history. Various public opinion polls suggested a growing disillusionment with the LDP and its coalition partner, the New Komeito. Part of the LDP's problem was the deep unpopularity of the Aso administration, but there was also a growing weariness with the LDP's inability to reform itself or the nation since its return to power in the mid-1990s. It was rumoured that Aso was prepared to hold HR elections in December, 2008 or early 2009, but many LDP HR members feared that such timing would result in their defeat and the prime minister pulled back from those dates hoping that later in 2009 the political environment might turn in its favour. Finally, the elections were called for August 30, 2009 and it was a disaster for the LDP. As has been mentioned in previous chapters, the LDP dropped from 300 seats in the House of Representatives to 134 and the Democratic Party went from 1XX to 304 and for the first time since 1955 a change of national government had occurred as a result of a general election for the House or Representatives. Finally, Japan had become a fully mature democracy.

The First and Second Party Systems

The Second Party System, which began in 1993 with splits in the Liberal Democratic Party (LDP), the destruction of the Japan Socialist Party (JSP), and the

subsequent establishment of a number of new political parties, represents a fundamental break with the politics of the First Party System (1955–1993). During the First Party System, party politics evolved from what was essentially a two-party system in 1955 to one characterized by fragmentation, with six parties on the national level. This situation has been called the *tatoka* (proliferation in minor parties) era by the Japanese. The opposition parties operated permanently out of power on the national level, and because of their fragmentation, they were unable to discover a political strategy that could be used to gain political power. It was a party system frozen in place – a permanent ruling party and a permanent opposition. The Japanese voters seeking to hold on to the prosperity of the post-war economic boom had nowhere to go except the LDP. The opposition, dominated by the JSP, could not be trusted to govern Japan, and the LDP, despite its corruption and arrogance, could not be seriously punished at the polls. They could be lightly slapped, but not expelled from power since the alternative was so unknown.

The First Party System ended in the political chaos of 1993 as the LDP suffered a series of defections and new parties emerged. The former LDP leaders combined with long term opposition parties to cobble together two coalition governments that ended the nearly three decades of LDP control of the national government. The LDP rallied in 1995 and began a long series of coalition governments with its old rival, the JSP, and later with long time opposition mainstay, the New Komeito.

The Second Party System is still in its early years and it has probably not yet reached its mature form. The 2009 elections indicate that perhaps it is evolving into a real two party system (with a couple of inconsequential minor parties including the JCP) and acquire a new characteristic for post-war Japanese national politics – a pattern of alternation in power between the two major parties. For such a two party system to become established, it will require some degree of success for the Hatoyama DP government and for the LDP to bounce back from its terrible defeat of 2009 and learn how to become a responsible party of opposition, something it has really never had to do during its long tenure (except for a couple of months in 2003–04). With this in mind, let us review some of the early characteristics of the Second Party System and make some qualified prediction about where this new party system may be heading after the first decade of the 21st century.

Coalition governments are the norm of the Second Party System. Where the LDP by itself ruled Japan for decades in the First Party System, the LDP has been in a long series of coalitions with various partners throughout the Second Party System. The first two coalitions of the Second Party System were led by former LDP leaders who founded new conservative parties after they split from the LDP. Prime Ministers Hosokawa and Hata governed with multiple party coalitions. Another strange coalition followed these and had a JSP leader,

Murayama Tomiichi, as prime minister with LDP "behind the screen" support. Kono Yohei, the LDP president during this time had the interesting distinction of being the first LDP president never to serve as prime minister since he preferred to be "the power behind the throne. Following the 1996 HR elections, the LDP formed two all-LDP cabinets under Prime Ministers Hashimoto and Obuchi. While these were not coalition governments in a formal sense, both relied on the HR votes from two small parties. As the new century began, a series of LDP-Komeito coalitions were formed to contest elections and rule the two chambers of the Diet.

Almost every government formed on the national level in Japan since the breakup of the LDP in May, 1993 has been a coalition government. Several were minority coalitions; a number were multiparty majority governments; and the most recent series have been two party (LDP + Komeito) majority governments. One outcome of this pattern has been a vast increase in the number of Japanese politicians having ministerial experience as well as experience in working together with other political parties. Each party has tasted national power; liked it; and wants to taste it again.

A second pattern in the Second Party System has been a significant increase in responsible behaviour by the politicians of the opposition parties. Several of the tough issues in recent years such as the sending of Japanese naval forces to the Middle East and East African Coast were negotiated between the government and the opposition in a reasonable manner. In 2008–09, the DP could almost taste power and it was quite moderate in its behaviour. A politics of compromise seemed to replace a politics of confrontation and unreasonable behaviour so common under the First Party System.

A third major change has been the rise of a conservative alternative to the LDP. In the First Party System, the alternative to the LDP was on the left and really, the extreme left of Japanese ideology, the JSP and the JCP. The JSP dominated the opposition from the end of World War Two to 1993. Chapter 7 of this book documents the death of the left in Japan. All the old socialist parties have disappeared as effective parties. (The Socialist Party just does not understand that its death is final). The old Right-Left axis of the 1945–1993 era has disappeared and has been replaced by a Right-Right or Right-Right/Center axis and Japanese politics will never be the same again. While the DP has within its ranks some of the old left politicians, almost all of its leaders are defectors from the LDP or other conservative politicians. Some like former DP president Ichiro Ozawa are as conservative, if not more conservative as the current LDP leaders.

Having several largely conservative options also seems to frustrate many Japanese voters who may be looking for "a choice, not an echo." When the policy preferences of the LDP, Komeito and the DP are closely examined, one is hard pressed to find significant differences. With so little difference between the

LDP and the DP in the Second Party System, a new style of personality or image politics has emerged in recent years. The "Kan Boom" in 1998 focused great media attention on the potential of the DP and young new leader, but Naoto Kan crashed after a scandal and Ozawa's strong personality and image came to dominate the DP. Back in the LDP, the emergence of Koizumi Junichiro as a reformist prime minister in 2000 created an almost rock-star type of politician for several years and his hand picked youthful candidates were very successful in elections in the 2000–2005 era. But the rock-star retired and has left the stage and the LDP selected several presidents (prime ministers) who failed for a variety of reasons, but they all lacked an image or powerful, attractive personality.

It has been easier to create a politics of personality and image in Japan in recent years. Diet campaigns have had increasing amounts of television and mass media appeals. When Obuchi Keizo was selected as LDP president in 1998, he was so un-charismatic, that he was described in the media as a "piece of cold pizza." His response, "What is wrong with that?" Obuchi lasted a year as prime minister. Aso, the LDP Prime Minister in 2009, was also lacking in personality and leadership skills and failed to save the party from its most serious electoral defeat in history.

The Future of Japanese Politics

In 2009, there was a great deal of speculation in the Japanese mass media as well as foreign publications concerning the possible future characteristics of the Japanese political parties and future administrations. Many discussed the possible end of the LDP dominance of Japanese national politics. Almost all discussed the coming disaster for the LDP in the HR elections that had to be held in late August, 2009. Others discussed what a possible new government headed by the DP and its president Hatoyama would look like in terms of possible new policies. Many also were concerned about the role the former DP president Ozawa might play in a new government. Would he be the "shadow shogun" – the real power behind the throne? Many also linked the growing world economic crisis to the declining Japanese economy, growing unemployment and the aging of Japanese society and wondered if, finally, the image of financial genius had fallen off the LDP, and if so, could the DP and its allies pick up the mantle of leadership?

More fundamental to the discussions of this book are questions regarding fundamental changes in the Second Party System that may contribute to a different future of Japanese politics. Ellis Krauss, one of the most perceptive of American political scientists studying Japanese politics, has argued that the electoral reforms that occurred early in the Second System have had a profound impact. Krauss argues that those who see the pre and post 1993 party politics as being almost the same are seeing only the superficial aspects of the systems and

missing the deep and fundamental changes that have occurred. Certainly on the surface, the LDP was still running the country; its factions survived the Koizumi reforms and the LDP supporter associations (koenkai) and policy "tribes" (zoku) and short term prime ministers were still the norm. Krauss saw the new system as "very different from the 1955 system." The electoral reforms discussed in Chapter 2 have had the greatest impact according to Krauss. The number of effective political parties has been reduced to four (LDP, DP, KOM and JCP) from the previous six party system, but the number of significant political parties are only two major parties with the Komeito as a loyal "sidekick party." The smaller parties still survive because of the proportional representation element in the HR system. Krauss suggests that recent Japanese elections have much more focus on policies and issues than elections of the First Party System. He notes that the LDP "koenkai" are still important, but changed to be voter raising organization extending far beyond the LDP base. The LDP factions have lost a great deal of their previous power to elect party presidents and form cabinets. Finally, Krauss argues the roles of the prime minister and cabinet have changed in the Second Party System. With the rise of television in contemporary Japanese campaigns, the image of the parties and their candidates for prime minister have come to dominate campaigns. Recent cabinets reflect less the power and seniority of the ministers, but are often selected on personality and image criteria. Krauss concludes that with these changes "Japanese politics has changed profoundly" in the post 1993 years.[2]

Another perspective on the future of Japanese politics comes from political scientist T.J. Pemple who sees the political system closely tied to the changes in the Japanese economic system. The key division in Japan's economy has been between winner and losers. The winner have been the internationally competitive sectors, firms, workers and consumers and the losers those sectors needing continued protection and governmental subsidies. Pemple suggested in the late 1990s, "the Italianization of Japan" producing a pattern of politics and economics in Japan similar to that found in Italy during the 1970s and 1980s. If so, the party system would continue to be fragmented with unclear policy positions and continued "crony capitalism." Pemple worried that one possible outcome of this pattern of politics would be a rise of protest politics. He also worried that real reform would not occur since the business community, happy with the two conservative parties, would not exercise their potential power to force a reform like they did in 1955. Just like the Japanese economy has stagnated since the bubble burst about 1990, the political system has continued to flounder around without decisive changes such as a pattern of alternation in power of the two major parties. As of early 2009, this is a pretty good description of the current state of party politics. Despite the important changes correctly described by Krauss, the lack of fundamental changes in outcomes foreseen by

[2] See Ellis Krauss, "Has Japanese Politics Really Changed,"? *Current*s, Tokyo: Keizai Koho Center, 2007.

Pemple is also true. Certainly one of the great challenges facing the Hatoyama government is effectively dealing with the many problems facing Japan. Some experts on Japan, such as Akira Nakamura, the co-editor of this book, doubt the DP has sufficient cohesion to come up with effective responses to the crises that face the nation and that the DP's "days in the sun" as a ruling party will be short. With their big victory in 2009, the DP does not have to call another House of Representatives election until 2013 and that should be enough time to see if a non-LDP can govern Japan in an effective manner. If not, the basically conservative Japanese voters may revert back to the old LDP and give them another change to re-charge the economy, deal with the growing problems of Japan's welfare system and elderly and adjust Japan's position in East Asia given the rise of an aggressive and confident China.

A De-alignment Future?

Another possibility is a continuing drift in voter support of the party system. This scenario suggests more of a de-alignment of the Japanese party system than a fundamental realignment. It argues that the Japanese voters may reject both the DP and the LDP. Both parties are fragile enough to produce splits and new parties that would in some sense to the fragmented world of the First Party System of 1955–93.

The concept of realignment has been an important political science description of American political parties as more and more American voters rejected the Republican and Democratic parties and called themselves independents. The last commonly agreed realigning election in the United States was 1932 – almost eighty years ago. These last eight decades have seen the presidency flip flop back and forth from one party to the other as the independent and weak party identifiers seek out more attractive personalities or find new short term issues to attract them.

The evidence that indicates the Japanese system may have entered into an era of de-alignment can be seen in several sites. LDP prime ministers have suffered through unusually low levels of popular support as have the two major parties in the past two decades. The number of Japanese voters who respond with "no party" to the question of which party they support has increased in recent decades. The number of independents or "floating voters" doubled in the late 1990s. In general, the combined voter support for the LDP and the DP is still about the 50 percent mark. One lacklustre LDP prime minister after another has followed Koizumi, but the nation's voters have not expressed great confidence in the DP's leaders to lead the nation. Such a pattern fits a classic pattern of de-alignment: a series of elections marked by little voter enthusiasm and an unwillingness of the electorate to give other parties a chance to run the national government despite its unhappiness with the ruling party. Short-term issues

and personalities seem to impact electoral decision making. Like President Obama and Democratic Party in the United States, Prime Minister Hatoyama and the DP has a wonderful opportunity to establish a new political era in each nation with a dominant party governing for the foreseeable future. All it takes is success in dealing with a set of problems that often seem to the impossible to resolve, or more accurately, will require imagination and courage to deal with in an effective and acceptable manner. That is the challenge for the DP in Japan.

Kabashima Ikuo of Tokyo University has suggested a pattern of voting in recent decades of voters giving the LDP power and then reducing that power—in recent elections by giving the DP more seats in the HC. Kobashima also suggests a rise of "retrospective voting" in a growth of anti-LDP voting given its poor performance on the economy since the 1990s, but also a strong lack of confidence in the DP to manage the economy any better. The DP broke through in 2009 with their great victory and it has the chance to change public perceptions regarding its ability to manage affairs on the national level in Japan. However wonderful this opportunity is for the DP, it comes with great dangers. Way back in 1947, a Socialist prime minister was selected and public perceptions of his failures doomed the socialists from ever governing Japan again until the LDP set up a puppet JSP prime minister in an LDP dominated coalition in 1994. While the 1947 situation was complicated, in essence, the socialists had one chance; they failed to take advantage of it and were banished from power for the rest of their political life. Will the DP be more successful?

How can a Japanese voter get excited about politics with an inept and corrupt LDP and an untested DP party? Just as Japanese voters have trouble dealing with this party system, so do political scientists. The First Party System was really very boring. The same party won election after election and the main opposition party could never dethrone the LDP. The new party system that emerged from the 1993 events has not been boring, but it had significant difficultly evolving into a mature, democratic party system. Finally in 2009, Japan had its first alternation in power as a result of an election. That is a very important event in modern Japanese We cannot predict the near future of Japanese politics with any certainty. A decade ago, we wrote similar words. The current system seems to have somewhat stabilized into two major parties and a couple of minor parties, but until the DP (or a new opposition party) gains the confidence of the Japanese electorate, the promise of the Second Party System will remain unfulfilled.

Synoptic table 1: The First and Second Post War Japanese Party Systems[3]

I. The First Post-war Party System: 1955–1993

Complete One Party Domination. The Liberal Democratic Party (LDP) rules on the national level throughout this system without need to resort to coalition governments.

Fragmented Six Party System operates to keep the LDP in power. Original two party system (LDP plus Socialists (JSP) expands to include Communists, splinters from JSP Democrat Socialists (DSP) and Social Democratic Party (SDP) plus Buddhist Komeito and LDP splinter New Liberal Club in the 1976–1986 period.

Ideological cleavage is Right-Left (LDP vs. JSP-JCP). Election system (medium sized constituency system with 3–6 seats won in each House of Representatives District) help LDP keep power by fragmenting the opposition parties.

Low Levels of Electoral Competition. Real competition in many HR districts is between multiple candidates from the LDP. Governorships and mayors are elected as joint candidates and often little real competition.

No Major Voting Issue. The system's original issues of US-Japan Security Treaty and the Japanese Constitution revision gradually declined. No really important new issues emerged.

The opposition that no one trusts to run the national government. The Socialists are never given power on the national government because they have never demonstrated any competence to be trusted in running the government. Too ideological and too left wing for a conservative Japanese electorate.

The Japanese economy records record growth through most of this era and voters do not want to change from the LDP to the unproven opposition.

Both the LDP and JSP are characterized by significant intra-party factional conflicts that are often more important than the inter-party conflicts.

[3] See Ronald Hrebenar, *Japan's New Party System* (Boulder, Westview Press, 2000), 302–303.

II. The Second Post-war Party System: 1993–

Non-LDP National Governments for the first time. Prime Ministers from the New Japan Party, Shinseito and Social Democratic Party of Japan (Hosokawa, Hata and Murayama).

First time in post 1955 era that a new government is formed as a result of a House of Representatives election defeat (DPJ Hatoyama following the August 2009 elections)

Divided Party Control of the Diet with the non-LDP parties in control of the House of Councillors and the LDP and its ally, New Komeito, in control of the House of Representatives until 2009.

Changed political style of much more moderate behaviour in the Diet and much more negotiation among parties over legislation.

Never-ending Recession sharply reduces the voter support for the LDP and ineffectual LDP Prime Ministers add to the problem.

New House of Representative's electoral system of combined single seat districts (300) and Proportional Representation (180) tending to move the party system more in the direction of a two party system. Most of the opposition party merge together into a series of parties culminating in the Democratic Party (DPJ) and its victory of 2009.

Policy Conflict is Conservative-Conservative between the LDP and DPJ with the left wing parties so marginal to be irrelevant.

Reapportionment of House districts gives more political power to the urban and suburban areas and reduces LDP voting power.

Party factions are reduced in power in both the LDP and DPJ and politics is much more personality driven and short term issues as well.

Electorate appears to be willing to let the old opposition parties gain political power after long succession of LDP failures in the "long recession" of 1989–2009.

No Real Voting Issue Emerges. Elections are largely driven by personality

of party leaders.

Voting Turnout Remains Low and Voter Interest is Low as Well.

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THE BALKANS AS A PART OF THE MEDITERRANEAN REGION:

POLITICAL-HISTORICAL CONTEXTUALISATION OF THE RECENT SHIFT IN REGIONAL GOVERNMENTAL RELATIONS

Ana BOJINOVIĆ FENKO[1]

The article argues that despite its historical relevance, after 1989 the (Western) Balkans has since the end of the Cold War been politically instrumentally excluded from the Mediterranean regional policies not only by the hegemonic influence of the European Union (EU) but also by the (Western) Balkans states themselves. After identifying a very recent turnaround of this trend now including Balkan Mediterranean states in Mediterranean regional politics, the article offers reasoning for the emergence of this change by exposing mutual reinforcement of three processes; namely critique of the unsuccessful EU-lead Mediterranean regional framework, upcoming completion of the state-formation in the Balkans and the effects of continuous non-governmental regional initiatives in the Mediterranean. The finding that Balkan NGOs have been participating in the Mediterranean regional affairs ever since the end of the Cold War whereby the (Western) Balkan Mediterranean states have done so only since the 2008 inclusion within the Union for the Mediterranean shows an important possibility to compensate this imbalance, but only if the "shift to the Mediterranean" is not an instrumental foreign policy strategy as was the 1990s "away from the Balkans".

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Introduction

This article studies the development of the role of the Balkans as a part of the Mediterranean region by looking at its actors' historical and current regional activities within the Mediterranean affairs. The research is relevant in the context of the ongoing process of state-building in the Balkans[2] and region-building in the Mediterranean.[3] Throughout the history, the Balkans Peninsula as a part of the Mediterranean area had an important constitutive role for regional political and also social and cultural relations not only in times of the Roman and the Byzantium Empires but especially in times of Ottoman hegemony in the Mediterranean. Strategic geopolitical and economic pretentions of states from outside of the Mediterranean severely influenced state-building process in the Balkans during the 19th and 20th Century, however, this only further contributed to a perception of Balkans' importance within the Mediterranean, be it in the interwar period or during the Cold War.

Nevertheless, after 1989 and the collapse of the Former Yugoslavia (Socialist Federative Republic of Yugoslavia – SFRY), numerous initiatives for Mediterranean regional co-operation excluded the newly emerged Balkans states. The European Union (EU) which formed the Euro-Mediterranean Partnership (EMP) excluded the Western Balkans states due to political and recent historical reasons, and the Balkans role in the Mediterranean on the inter-governmental level has ever since been institutionally marginalised by the EU. As noted below, important exceptions in this regard are Greece and also Turkey. Moreover, Western Balkans states themselves were not genuinely interested in forging Mediterranean regional co-operation ties. Quite surprisingly, in December 2007 it was firstly Albania who became evolved within the EMP and then in July 2008 all coastal Mediterranean Balkans states joined the EMP in the form of newly formed Barcelona Process: Union for the Mediterranean (UfM).

[2] Taking into account a material (geographical) nderstanding of regions, the Balkans is understood as a peninsula in the Mediterranean Sea; out of eleven Balkans states seven are Mediterranean (Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Albania, Greece and Turkey – its European part) and four do not have a Mediterranean coast (Serbia, Macedonia, Bulgaria, Romania). However, taking into account political time-space relevant factors, Serbia and Macedonia are both frequently placed within the Mediterranean region due to their social-historical relevance for the relations among peoples in the area. Equally, Romania and Bulgaria as Balkan states have in different hitorical eras had important roles within the Mediterranen affairs, which the article duly notes.

[3] The article does not question the existence or the contextual layers of meanings of the term 'region' nor is its intention to study or produce a definition of the Mediterranean as a region; the area is perceived as a region in the making (see e.g. Hettne and Söderbaum 2000) and will be taken into research interest as a geographic territory with (historically) recognisable and relevant regional activity and therefore meaning with some sense of distinctiveness according to other areas/regions.

The reasons to provide understanding of this fast shift of the role of the Western Balkans in the Mediterranean are firstly presented within the historical context of the Mediterranean region-building. Secondly, the role of Balkan states in the Mediterranean in the post-Cold-War era is studied within the scope of the analysis of foreign policy goals and strategies of the Balkan Mediterranean states towards their Mediterranean co-operation. Special attention is put to three processes, identified as baring historical influence on the relevant states' foreign policy-making, namely state-building in the Balkans, role of hegemonic external actors, and the role of the Balkans-Mediterranean societal (non-governmental) relations.

The Balkans' role in the history of the Mediterranean affairs

The Balkans is historically connected to the Mediterranean through the crucial role of the Classical Greece and Macedonia in the formation of the European culture (including philosophy, sciences, politics etc.) in the Ancient times. Despite the fact exposed by Amin[4] that the political unity created at the time of Roman Empire was not reclaimed by any of the succeeding hegemonies in the Mediterranean (nor Arabs, Italian cities or the Ottoman Empire), and the high levels of interstate conflict between Arab peoples and their European neighbours during the 600–1517 period, Calleya[5] claims that the intensity of commercial relations, cultural, scientific, and artistic cooperation in the Mediterranean were extensive at the height of the Italian city states' power during the 11th century. Those relationships helped to transform the Mediterranean from a boundary zone between Christian North and Muslim South to an increasingly transnational area[6] (Arkoun, 2005: 101), whereby the Balkans was known as a tolerant multinational space of various religions and cultures. Both two areas, the Mediterranean and the Balkans within it were termed by historians as a 'transnational social space' or a 'meso-region'.[7]

More visible international relations between peoples in the Balkans began unfolding after the division of the Catholic and Orthodox Church in 1054, the fall

[4] Samir Amin, "Conditions for Autonomy in the Mediterranean Region," in *The Mediterranean, Between Autonomy and Dependency*, ed. Faysal Yachir (London, New Jersey, Tokyo: Zed Books, United Nations University, 1989).

[5] Stephen C. Calleya, *Navigating regional dynamics in the Post-Cold war world. Patterns of Relations in the Mediterranean Area* (Aldershot, Brookfield USA, Singapore, Sydney: Darmouth, 1997), 65.

[6] Stephen C. Calleya, *Navigating regional dynamics in the Post-Cold war world. Patterns of Relations in the Mediterranean Area* (Aldershot, Brookfield USA, Singapore, Sydney: Darmouth, 1997), 64–68.

[7] See Stefan Troebst, "Introduction: What's in a Historical Region? A Teutonic Perspective," *European Review of History – Revue Européenne d' Histoire,* 10 (2003), 173–188.

of the Constantinople in 1453, and the beginning of expansion of the Ottoman Empire.[8] The central role of the Balkans at the time of Ottoman invasions in Europe was to represent a series of 'fences' (*série de 'rideaux'*), long defensive lines against Islam which were at disposal to the Catholic Mediterranean to "feel better in the shade" Braudel[9]. This role was mainly pursued by the 'continental' local nations (Bulgarians, Serbs, Macedonian, Romanians and others), whereby the coastal areas of the peninsula had a different status, being 'under patronage' of big European powers, which took these areas as their 'legitimate historian belonging' or their 'inalienable sphere of influence', be it Republic of Venice, Britain, Italy, or Austro-Hungary. In this regard, the inland parts of the peninsula were connected to the term 'East', however the coastal parts were regarded as the 'civilised West'.[10] Before the end of the 18th Century the Balkans became an important transport and travel route from Western Europe to Asia Minor, and only after this period the continent forsake its long-time autarky, which provoked external perception of this Eastern area (Balkans) as quite different than the West (Mediterranean).

At the time, the Mediterranean region became increasingly influenced by the system of European big states' balance of power, whereby this external presence affected especially the Balkans. As the Turkish Empire was collapsing along the 19th Century and constraints in continental expansion shifted European great power attention to the Mediterranean, rivals in the area became the Habsburg (since 1867 Austro-Hungarian) with German support on one side and the Russian Empires, joined by Britain and France on the other, struggling to fill the vacuum of power.[11] The Balkan 'Powder Keg' was therefore an area of the Mediterranean region which was at the time a stumbling block in power play mainly due to its Mediterranean geostrategic features. It is from these times that 'Balkanisation' as a term was born, denoting, a division of big political units, incapable of independent life.[12] Intensive misuse of the term associated to the above mentioned cultural and socio-economic difference of the Balkans in comparison to Western Europe soon resulted in a practice, whereby 'Balkanisation' acquired a synonymous connotation to 'the return to tribal, backwardness,

[8] David E. Noris, *Balkanski mit, pitanja identiteta i modernosti* (Beograd: Geopoetika, 2002), 17.

[9] Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II* (London, New York, Sydney and Toronto: BCA, 1992), 592.

[10] Ranko Petković, "Balkan i Mediteran," *Naše teme,* 22, 1 (1978), 2611–2612.

[11] See Stephen C. Calleya, *Navigating regional dynamics in the Post-Cold war world. Patterns of Relations in the Mediterranean Area* (Aldershot, Brookfield USA, Singapore, Sydney: Darmouth, 1997).

[12] Maria Todorova, *Imaginarij Balkana* (Ljubljana: Inštitut za civilizacijo in kulturo, 2001), 25.

primitive, barbaric'[13] and therefore the use of the term brought mainly negative (self)perception on the Balkan area.[14]

The big powers' aspirations at the time became increasingly intertwined by the national aspirations of the small Balkans states[15]. Calleya[16] exposes local nations' nationalist movements as additional exacerbation of the above referred intrusive system in the Mediterranean, which was caused by the European nation-states scramble for colonies. From variety of nationalities at the time living in the area, South Slavs and especially Serbs strived intensely to have its entire people living in one – their own nation-state. Their strategy was incorporated within the big states' interests in the region and depended essentially on the position of the Slavs in the Austrian Empire.[17] In this sense the Illyrian movement between 1835 and 1848, and the idea of a South Slavic state, i.e. Yugoslavia represent rudimental types of Balkans regional co-operation already in the 19th Century. The mentioned movement was inspired by an occupying French lead administrative-political unit named the Illyrian provinces, with its seat in Ljubljana (Slovenia), and its own unified language, in existence between 1803 and 1813. The idea of a South Slavic state also derived from a desire to avert foreign influence and the crumbling of the Slavic ethnic territories but remained unrealised.[18] Only Greece and Serbia managed to get independence in 1830 and 1878 respectively, and Montenegro was formally recognised as independent from the Ottomans also in 1878.

One can speak of a Mediterranean region at that time, however as constructed from the outside by mainly European big powers, which made the area a 'sphere of influence', a geopolitical battlefield[19] and introduced to the Mediterranean an intrusive inter-governmental pattern of regional relations.[20] This conflicting nature of relations in the area which spurred in the 16th and 17th Century with

[13] Ibid.

[14] Goldsworthy (2002: 33–34) explains that this kind of negative perception of the area also developed a long term symbolisation of geography and historical misrepresentations regarding the region, which resulted in seeing the Balkans only as a metaphor for conflict, incivility and violence. For a detailed survey on the metaphor of the Balkans, see Bjelić and Savić (2002).

[15] Stane Južnič, "Bosna šaptom padne," *Teorija in praksa,* 29, 7/8 (1992), 770.

[16] Stephen C. Calleya, *Navigating regional dynamics in the Post-Cold war world. Patterns of Relations in the Mediterranean Area* (Aldershot, Brookfield USA, Singapore, Sydney: Darmouth, 1997), 71.

[17] Stane Južnič, "Bosna šaptom padne," *Teorija in praksa,* 29, 7/8 (1992), 765.

[18] Ibid., 766.

[19] Matić (1988: 136) exposes the importance of the Suez Canal opening in 1869 which intensified geostrategic significance of the Balkans' proximity to the Mediterranean. Roucek (1953: 74) and Roberts (1999: 182) describe the Adriatic as "leading strait into the heart of Central Europe to the threshold of southern Germany."

[20] Stephen C. Calleya, *Navigating regional dynamics in the Post-Cold war world. Patterns of Relations in the Mediterranean Area* (Aldershot, Brookfield USA, Singapore, Sydney: Darmouth, 1997), 71, 85.

the rise of European nation states and western European international society replaced the formerly existing relatively co-operative intergovernmental and especially transnational Mediterranean relations from previous historical periods.[21] Crimean war in 1856 and the Russian-Turkish war (1977–78) took place exclusively due to the European big powers equal geopolitical aspirations in the Mediterranean (mainly for the straits of Bosporus and Dardanelles, but also for the Adriatic).[22] It is well known that it was the geostrategic political interests of the big powers which firstly caused the two Balkans wars (in 1912 and 1913) and after that initiated the First World War.

The height of the Balkans' role in the Mediterranean

At the time of the Versailles Europe, the Balkan international relations became even more framed within the Mediterranean region-building due to the fact that fight for the big powers' influence in the Balkans was a constituent part of the fight for power in the Mediterranean and *vice versa*; the Mediterranean positions suited to assert influence in the Balkans.[23] However, the global international political framework of the League of Nations now promoted more multilateral strategies of foreign policy implementation. This especially applies to Turkey, which (similarly to Austro-Hungary) after 1918 became small/middle power over night. The role of new Turkey was essential in the Balkans from the nation-building perspective, as the only non-small state was striving for a new image of potential partner rather than (as in previous centuries) a threat in the peninsula.[24] Nevertheless, in the Mediterranean region, Turkey was not so successful; it did not have enough leverage to play a mediating role, steering between the big powers' intensifying rivalry interests. For example, the French proposal of consolidating the Balkans Entente (formed in 1934) by a Mediterranean Pact was enthusiastically picked up by the Turks; but the idea was never endorsed due to insufficient support of the big powers (Britain, France and Italy).

The latter were reluctant to use multilateral instruments out of two alternative foreign policy strategies. Firstly, they could afford settling relations bilaterally –

[21] For more on the construction of the Mediterranean regional society see Bojinović Fenko (2009: 256–292).

[22] J. M. Roberts, *Twentieth Century, the History of the World; 1901 to the Present* (Allen Lane: The Penguin Press, 1999), 182. Joseph S. Roucek, "The Geopolitics of the Mediterranean, II," *American Journal of Economics & Sociology,* 13, 1 (1953), 74.

[23] To illustrate this logic's occurrence during the Second World War, Germany attacked Balkan Yugoslavia and Greece for reasons of spreading its influence to the Mediterranean (Petković, 1978: 2613). With similar visions Stalin dictated a number of future Balkan entities, launching ideas of Yugoslavia entering federative formations with Bulgaria, Romania and later with Albania, all under the domination of the Soviet Union (Matić, 1988: 129).

[24] Turkey persistently emphasised equality of states and succeeded to persuade the others she was "creating a coalition of like-minded states rather that reviving Ottoman domination". See Barlas (2005: 444).

tęte ŕ tęte[25] with small states from the region. Big states were signing alliance agreements with the smaller (e.g. France with Yugoslavia in 1927), which made other great powers concerned over diminishing of their own influence. Especially Italy pursued this foreign policy tactics.[26] Secondly, they tried to initiate big power pacts which they later on breached, as did Italy by continuing its military and diplomatic hostile activities based on the perception of unmet needs of the 'Mediterranean power *par excellence*'.[27]

Again the local states saw foreign interference as a sign and need for action. As state-building was concluded and the local nations' place on the map was generally insured, their strategy was co-operation in order to balance foreign pressures.[28] The idea of pan-Slavism was finally realised firstly in a state of Slovenians, Croats and Serbs in 1918, which after a short existence sustained as a Kingdom of Serbs, Croats and Slovenians known also as the First Yugoslavia.[29] Between 1930 and 1933 the Balkan states on the initiatives of Turkey and Greece called for regional Balkan conferences to jointly overcome the economic and political effects of the world economic crisis of 1929.[30] In 1930s, these states mutually signed alliance and friendship agreements (Turkey with Greece, Romania and Yugoslavia).[31] Their Mediterranean co-operation was also initiated as a reaction to the emergence of revisionist powers; after Italian bombardment of Corfu (Greece) and seizure of Fiume from First Yugoslavia,[32] Turkey began to seek ways of forming a Balkan Entente eventually signed between Turkey, Yugoslavia, Romania and Greece in 1934.[33] When Turkey managed to get a revised position of the Straits status, nationalising them in 1936, this decision got strong support of the Balkan Entente.[34] However, this alliance was a failure in respect to providing military security for its members or customs union.[35] Balkan and Mediterranean regional initiatives in the interwar period are shown in Table 1.

[25] Dilek Barlas, "Turkish Diplomacy in the Balkans and the Mediterranean. Opportunities and Limits for the Middle-power Activism in the 1930s," *Journal of Contemporary History,* 40, 3 (2005), 462.

[26] Ibid., 457.

[27] See Francesco Coppola, "Italy in the Mediterranean," *Foreign Affairs,* 1, 4 (1993), 105–114.

[28] A similar strategy is noted by Tripp (1995) in the context of 1945 Arab League formation.

[29] Stane Južnič, "Bosna šaptom padne," *Teorija in praksa,* 29, 7/8 (1992), 766.

[30] Ibid.

[31] Michael N. Bishku, "Turkish-Bulgarian Relations: From Conflict and Distrust to Cooperation over Minority Issues and International Politics," *Mediterranean Quarterly,* 14, 2 (2003), 81.

[32] See Luigi Federzoni, "Hegemony in the Mediterranean," *Foreign Affairs*, 14, 3 (1936), 387–397.

[33] Dilek Barlas, "Turkish Diplomacy in the Balkans and the Mediterranean. Opportunities and Limits for the Middle-power Activism in the 1930s," *Journal of Contemporary History,* 40, 3 (2005), 448.

[34] Ibid., 461.

[35] Michael N. Bishku, "Turkish-Bulgarian Relations: From Conflict and Distrust to Cooperation over Minority Issues and International Politics," *Mediterranean Quarterly,* 14, 2 (2003), 82.

Table 1: Initiatives for institutional co-operation in the Mediterranean in the interwar period

Time	Promoter (actors)	Idea / foreign policy goal	foreign policy initiatives
1908	Russia	Slavic brotherhood, balance of power with Austro-Hungary	Balkans League
1930–33	Turkey, Greece	to jointly overcome the economic and political effects of the world economic crisis of 1929	regional Balkans conferences for debates on the Balkans Union
1930s	Balkans states	big powers' interference in the area is unbeneficial, endangering	alliance and friendship agreements
1934	Turkey, incl. Yugoslavia, Romania and Greece	co-operation to overcome Italy's territorial pretensions	Balkans Entente
1930s	Italy, including Great Britain and France	big states' balance of power	big powers' pact on Mediterranean – not realised
1934–37	FRA, TUR; including GRE, YUG, ITA, SPA / or FRA, TUR, Soviet Union, possibly GB	promotion of values of multilateralism, non-aggression, peace, stability	Mediterranean Pact – not realised
1934	FRA; incl. YUG, GRE, TUR, BUL, possibly ITA	mutual assistance	Mediterranean Entente – not realised

Source: Author's own elaboration.

The Cold War period – relative stability of the Balkans within the Mediterranean

After 1945 the Mediterranean and also the Balkans as a part of it was susceptible to the general processes in the international community: emergence of a number of socialist states, an increasingly speedy process of decolonisation and changes within the capitalist system itself.[36] The Balkans could be claimed an area in the very centre of these processes; its sates were members of both military alliances (NATO and Warsaw Pact) and also of the Non-aligned movement (NAM), they had both capitalist and socialist economic systems[37] and were bordering the remaining European colonial empire. In this context, the two blocks' confrontation and many unresolved local disputes threatened again to make the Balkans a zone of tensions.[38] Žic[39] names the area at the time 'a

[36] Mladen Matić, "Balkan na putevima saradnje," *Opredeljenja,* 19, 4 (1988), 127.

[37] Ibid., 135.

[38] Ibid., 140.

[39] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 367.

mini version of the world', similarly, Legrand[40] denotes the same comprehensive political reality in the whole Mediterranean as 'micro-plančte'.

The Cold War period increased wider Mediterranean region's importance which in geostrategic terms shifted from territorial-economic, to ideological, military, and more narrowly geostrategic oil-based. In the Balkans both poles were striving to contain the other through small and medium power alignments. The Balkans was of a special geostrategic importance to the Warsaw Pact as it enabled the passage to the Mediterranean through Albania (until 1962 when it terminated the membership). The Yugoslavian-Soviet break of relations in 1948 affected the Balkans regional identity in a good deal as Yugoslavia consequently decided to form a Balkan pact with Greece and Turkey – at the time already NATO members – on the basis of two agreements from 1953 and 1954. The agreements concerned friendship, co-operation and unity, political co-operation and mutual help. The aim of the pact was to protect territorial integrity and political independence of the member states and to promote other forms of co-operation.[41] The Balkan socialist states further on co-operated in ideological-political sense, and the Balkan states' economies still in the late 1980s were strongly connected to the Mediterranean area through the agricultural, maritime food and tourism sector, but also the mining and industrial (natural resources) sectors and by marine, air, railway and road transit.[42]

Additionally, it was (Socialist Federative Republic of) Yugoslavia's leading role in the NAM, which made the state an area of stability in the Balkans[43] and was also important for the general Balkans' role in the Mediterranean as the majority of states in the area opted for this foreign policy strategy. NAM was an example of political unity – a Mediterranean feeling shared by southern European as well as Third World countries in the area motivated by the perception of a cultural and political oppression enforced by the imperialist quarters (West, USA, NATO).[44] NAM intensely debated on the Mediterranean affairs within the scope of its political meetings with the aim to turn the Mediterranean into 'a zone of peace and security';[45] even a periodic ministerial conference of the NAM countries of the Mediterranean was in practice until 1990. In the final document of the last conference it is especially seen the NAM Mediterranean states' promotion of the role of the European Economic Community (EEC) in relation to their

[40] Gérard Legrand, "Pour un relevé de l'Espace politique Méditerranéen," *Nouvelle Revue Socialiste*, 4/5 (1983), 56.

[41] Mladen Matić, "Balkan na putevima saradnje," *Opredeljenja,* 19, 4 (1988), 130–131.

[42] Ibid., 134.

[43] Čedomir Vučković, "MeđuBalkansko približavanje i Sredozemlje," *Naše teme,* 28, 12 (1984), 2624.

[44] See Richard L. Jackson, *The Non-aligned, the UN, and the superpowers* (New York: Praeger, 1983).

[45] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 364.

development needs. The states propose to "start with the European Partners an open and sustained dialogue based on mutual interest and reciprocal benefit with the aim of developing more audacious forms of co-operation".[46]

This was a newly directed proposal because up to then the EEC within the Global Mediterranean Policy treated the Mediterranean states bilaterally (individually and unequally), according to states' 'strategic importance' for the EEC, which resulted in 'an associative patchwork rather than a coherent framework'.[47] Agreements of co-operation were signed with Greece (in 1961, acquired membership in 1981); Turkey (in 1963, became an official membership candidate state in 1999); and with Yugoslavia in 1980.[48] The EEC's bilateral practice did not positively contribute to region-building in the Mediterranean, as it institutionalised differences between the states of the area. What was achieved, was a convergence of the EC member states' and EC institutions' perceptions about the Mediterranean 'region' as a foreign policy priority.[49] The EEC since 1990 became increasingly important for the perception of the Balkan states' role in the Mediterranean.

The most promising regional initiative were Balkan regional conferences with the aim of improving Balkan relations, the first taking place in 1976 in Athens, attended by hosting Greece and Turkey, Romania, Bulgaria and Yugoslavia[50] where mainly non-controversial issues of agriculture, environment, energy, public health, tourism, telecommunications and transportation were discussed, but mainly with no progress due to Bulgarian preference of dealing with these subjects bilaterally. Additionally, also the idea of a Balkan "nuclear free zone" was discussed but similarly unsuccessfully, as it had already previously been rejected by NATO-committed Turkey.[51] The next Balkan regional conference took place in Belgrade in February of 1988, with the above mentioned and Albanian participation.[52] It was assessed as the breakthrough in the Balkans re-

[46] *Declaration on the Prospects of Global Dialogue on Security and Co-operation in the Mediterranean*, adopted at the Third Ministerial Conference of the Mediterranean Non-Aligned Countries, held at Algiers, on 25 and 26 June 1990, paragraph d. Available at: http://documents-dds-ny.un.org/doc/UNDOC/GEN/N90/175/29/img/ N9017529.pdf?OpenElement (14 December 2008).

[47] Ricardo Gomez, "The EU's Mediterranean policy," In *A Common Foreign and Security Policy for Europe? Competing visions of the CFSP*, ed. John Peterson and Helene Sjursen (London, New York: Routledge, 1998), 135.

[48] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 365–366.

[49] Ricardo Gomez, "The EU's Mediterranean policy," In *A Common Foreign and Security Policy for Europe? Competing visions of the CFSP*, ed. John Peterson and Helene Sjursen (London, New York: Routledge, 1998), 140.

[50] Michael N. Bishku, "Turkish-Bulgarian Relations: From Conflict and Distrust to Cooperation over Minority Issues and International Politics," *Mediterranean Quarterly,* 14, 2 (2003), 87.

[51] Ibid.

[52] Ibid., 90.

gional politics[53] as again a possibility of establishing the Balkans as 'a zone of peace and co-operation' and a 'nuclear–free zone' was discussed[54] but also represented a step forward in co-operation in economy, trade, tourism, transport and communications, sport, culture and ecology; although these were 'practical and functional fields of co-operation, not subjects to political contentions'.[55] Matić[56] claims that the improvement of the level of Balkan regional multilateral co-operation was reached due to Yugoslav engagement and its non-aligned political orientation in the global international relations. A promising incentive was mainly the agreement that the Belgrade conference was to implement continuity – practice of regular meetings and exchange of opinions in order to promote confidence-building among Balkans states. Nevertheless, despite visible progress in the mentioned functional issues, politically more sensitive regional affairs remained unresolved/unaddressed, e. g. the Balkans nuclear-free zone, the issue of ethnic minorities, or the proposal for the summit meeting of the Balkans states.[57]

Table 2: Regional co-operation of Balkans Mediterranean states during the Cold War

Promoter (actors)	Idea / foreign policy goal	Regional Initiatives
Yugoslavia, Albania	independent stance against the two Cold War military blocks	- break-up from political/military alliance
Yugoslavia, Greece	détente in the Cold War	- resolution of disputes between local states - organisation of Balkan Ministerial Conference (Athens, 1976)
Yugoslavia	Balkan co-operation within the Non- aligned Movement	- Mediterranean as 'a zone of peace and security' - multilateral co-operation of (Balkan) Mediterranean states with the EEC

[53] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 367. Mladen Matić, "Balkan na putevima saradnje," *Opredeljenja,* 19, 4 (1988), 138.

[54] Čedomir Vučković, "MeđuBalkansko približavanje i Sredozemlje," *Naše teme,* 28, 12 (1984), 2619.

[55] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 367.

[56] Mladen Matić, "Balkan na putevima saradnje," *Opredeljenja,* 19, 4 (1988), 134.

[57] Ibid.

Promoter (actors)	Idea / foreign policy goal	Regional Initiatives
Yugoslavia	- regional co-operation in functional areas: economy, ecology, trade, tourism, transport, communications, sport, culture - continuity to establish regular meetings, promotion of confidence-building	- Balkan Ministerial Conference (Belgrade, 1988) - example for the whole Mediterranean

Source: Author's own elaboration.

One can observe that regional efforts of Balkan (Mediterranean related) co-operation were present in two 'waves'. Firstly, within the context of *détente* in the Mediterranean, achieved by resolution of some of the local states' disputes (e. g. the Trieste question), the calming down of the Greek civil war and the resolution of Comintern-Yugoslav dispute. Secondly, as an example to follow for the whole Mediterranean; functional areas of co-operation proposed by the Belgrade Balkans regional conference were supposed to be guidelines for the whole Mediterranean regional co-operation.[58] The forms of regional co-operation of Balkans Mediterranean states during the Cold War are shown in Table 2.

Recent role of the Balkans in the Mediterranean regional co-operation

After 1989 changes in the world system and the emergence of new states in the Balkans, the latter slowly started individual processes of transition towards democratic political systems and market-regulated economies. The previously prospective first signs of Balkan co-operation (within the wider context of the Mediterranean) were brought to a standstill by the emerging conflicts in the area. Ironically, Yugoslavia – a state which during the Cold War represented the initiating role for regional stability and respect for international (legal) obligations towards the other states in the area, fell into its own trap of (multi)nationalism and was unable to solve its dissolution peacefully. Slovenian Ten-Day war for independence in 1991 was the least of the ethnic disputes in the former Yugoslavia which followed in the last decade of the 20th Century. There were two wars for independence, namely Croatian (1991–95) and Bosnian (1992–95), followed by ethnic conflicts in a part of the former state of Serbia and Montenegro – at the time called Yugoslav Republic (or Third Yugoslavia) –, i.e. Kosovo (1996–99) and also in the bordering Former Yugoslav Republic of Macedonia

[58] Zoran Žic, "Mediterranean Countries Between Conflict and Co-operation: a Search for Identity and Regional Security," *Međunarodni problemi,* 40, 3 (1988), 368.

(FRYM) in 2001. Further unrest followed in Kosovo in 2004, which as for now ended up with its proclamation of independence in February 2008 with international administration before any further developments of its *de iure* sovereignty are made possible.

Influence of the EU

The EU's influence after 1990 bares a direct and an indirect role for the Balkans and the Mediterranean. As of first, it represents an influential actor through implementing its foreign policy, and secondly, it determines a context for the Balkan states' foreign policy behaviour towards not only the EU but the Balkans and the Mediterranean themselves. The EU started to deal with Balkan and Mediterranean states through separate foreign policies and therefore contributed to exclusive rather than mutually reinforcing contexts for foreign policy behaviour of Balkan Mediterranean states. The Balkans were addressed with the enlargement policy; the Western Balkans firstly within the post-conflict management instruments and later on also with firm prospects of EU membership. On the other hand, the Mediterranean after the end of bipolarity is treated by the EU as a neighbouring space without any prospects for the EU membership, safe for its European states (Malta, Cyprus and Turkey). Calleya[59] evaluates that the EU was forced to constantly focus its attention on sub-regional relations in the area (separating the 'management' of the Balkans from the rest of the Mediterranean) due to the shifts in patterns of relations taking place in the Mediterranean since 2000. Two alternative and exclusive EU policies enormously contributed to the establishment of a three-level context: formulation of Balkan states' foreign policy as an indirect expression of the state-building process; framework of relations among the states of the area themselves; and perception/new role of the Balkans as a part of the Mediterranean region in the making.

In November 1995 the EU launched the Euro-Mediterranean Partnership (EMP) in co-operation with the Southern Mediterranean Partners, based on the Barcelona declaration.[60] Initially, EMP's agreements were to include only Maghreb countries, but were quickly extended to Mashreq states,[61] but Balkan Mediterranean states remained out of the EMP; due to historical and political reasons.[62] Slovenia and Croatia, as two of them, were striving very hard to gain the status of an EMP partner state; however, the latter was clearly indicated to be

[59] Stephen C. Calleya, "The Euro-Mediterranean Partnership and Sub-Regionalism: A Case of Region-Building?," in *The Convergence of Civilisations. Constructing a Mediterranean Region*, ed. Emmanuel Adler et al (Toronto, Buffalo, London: University of Toronto Press, 2006), 42.

[60] *Barcelona Declaration*, adopted at the Euro-Mediterranean Conference, 27-28 November 1995 in Barcelona.

[61] Ricardo Gomez, "The EU's Mediterranean policy," in *A Common Foreign and Security Policy for Europe? Competing visions of the CFSP*, ed. John Peterson and Helene Sjursen (London, New York: Routledge, 1998), 143.

[62] Michelle Pace, *The Politics of Regional Identity: Meddling with the Mediterranean* (London, New York: Routledge, 2006), 103.

'reserved for' the Southern Mediterranean states. In the end, Slovenia after heavy lobbying observed the Barcelona conference as a guest on behalf of the convener – the Spanish government.[63] Croatian government did not succeed to get an invitation and protested against this decision, but was unsuccessful and could not attend the conference in any capacity (Geršak, 2006). However, this did not mean that Slovenia managed to participate within the EMP as a partner state like Malta and Cyprus – at the time also prospective, but far from 'official' EU membership candidates. Slovenia adhered to the EU in 2004, and later (in 2007) so did Romania and Bulgaria which means that they participate in the EMP since then simply as EU member states.

The EU influence was and remains especially important for the Western Balkan states still in the process of (prospective) EU-accession. As referred to above, these states have until recently been fully occupied by their own internal affairs – either state formation/organisation, either ethnic disturbance. The EU engaged itself extensively in the post-conflict management of the region by launching the Stability Pact for South Eastern Europe (SP SEE) in 1999. Most of all, the EU manages the Western Balkans within its enlargement policy with the Stabilisation and Association process, including programmes (e.g. CARDS) which promote cross-border cooperation, protection of minorities, inclusion of civil society and contribute to Balkan (micro)-regional cooperation. Like Turkey, Croatia (in October 2005) and The Former Yugoslav Republic of Macedonia (in December 2005) became candidate states for the EU membership, while other entities in the region, namely Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo under United Nations Security Council Resolution 1244, hold a 'potential candidacy' status.[64]

Balkan states' foreign policies toward the Balkans and the Mediterranean regions

Immediately after the dissolution of former Yugoslavia and the beginning of its wars, due to the mentioned long time existing negative (political) perception of the Balkans, the states emerging from SFRY in their eagerness to join Euro-Atlantic integrations did not want to be associated with the area. Nor did they build their (foreign policy) identities on the formerly strong Yugoslav Mediterranean component. Some newly independent states even adopted the so called 'flight from the Balkans' foreign policy strategy in order to represent their identities in the process of state-building as 'not Balkan', but more Western, Central European, therefore civilised and consequently 'worthy' of membership in the

[63] It is to be noted, that Slovenia at the time did not have genuine intentions of Mediterranean co-operation, but only wanted to be associated with such international institutions to be perceived a democratic state by 'western-standard' (Geršak, 2006).

[64] See European Commission, *Enlargement: Countries on the road to EU membership*, 2009. Available at http://ec.europa.eu/enlargement/the-policy/countries-on-the-road-to-membership/index_en.htm (21 December 2009).

EU and/or NATO. Here it is worth to notice an observation that 'paradoxically, state-building and integration beyond the state are closely linked while also being mutually conflicting' (Knudsen, 2002: 184). Author refers to this identity/integration problem by arguing that identity in the outset is usually determined by a matter of finding out who one thinks one is not (Knudsen, 2002: 189). The 'away from the Balkans' foreign policy strategy was displayed especially by Slovenia, who immediately after independence in January 1992, neglected all previous foreign policy orientations in Balkan co-operation[65] and rather co-operated with the Vishegrad Four Group[66] and Central European Initiative (CEI). The state did not want to participate in the South Eastern Cooperation Initiative (SECI) launched in 1996 nor in the above mentioned Stability Pact as the government feared the domestic opposition and international community would interpret that as a reestablishment of former Yugoslavia.[67] Slovenia decided to participate in SP SEE only after it negotiated to be included as a 'donor Central European state' and not as a recipient state (as other Balkans states did).[68] After Slovenia gained the status of a candidate country for the EU and NATO membership in 1999, the state quite quickly turned around the use of a negative perception of the Balkans geography and history and opted for 'South Eastern Europe as its foreign policy priority due to geographic, economic and historical links'.

This type of foreign policy strategy was not exclusively a Slovenian case, but rather a general stance of the Balkan non-EU member states, much influenced by the mentioned EU's foreign policies towards the area. A similar analogy can be made in the case of Croatia and 'flight from the Mediterranean' narrative. As argued by a senior diplomat from the region, during 2007 Croatia was being invited to consider participation in the EMP, but was very prudent, even reluctant to join the partnership until it had assured the opening of its EU accession negotiations in December 2007. This carefulness was directly connected with the state's interest to ensure its firm prospects for EU membership as a foreign policy priority over potential Mediterranean co-operation. Croatian foreign policy behaviour, however, can be explained in the context of February 2007 launched idea of *Union Méditerranéenne* (see further below) by a French Presidential candidate Sarkozy, who clearly proposed that the Med Union will not take into consideration EU's relations with candidate state Turkey in the form of membership, but as an alternative privileged partnership. Croatia and Turkey reasonably

[65] Bojko Bučar, "Slovenia," in *Political and Economic Transformation in East Central Europe,* ed. Hanspeter Neuhold et al (Boulder, San Francisco, Oxford: Westview Press, 1995), 293.

[66] Vishegrad Group consists of four Central-East European states, namely the Czech Republic, Slovakia, Hungary and Poland. Slovenia was not a member of the group, but co-operated with it.

[67] See Ana Bojinović, "Geographical Proximity and Historical Context as a Basis of Active Foreign Policy Strategy of Small European Sates – the Case of Austria and Slovenia Regarding the Western Balkans," *Politics in Central Europe,* 1, 1 (2005), 23.

[68] Ibid., 22–23.

rejected Sarkozy's idea of Mediterranean co-operation being an alternative to EU membership.

Mediterranean regional co-operation became a (new) priority for Balkan Mediterranean states and the EU during Slovenian Presidency of the EU in the first half of 2008.[69] Slovenia, for example, started to promote itself as the most Mediterranean among the Central European member states and as the most central European among the Mediterranean ones (Stabej, 2008). Its special EU presidency achievement is the launch of the Euro-Mediterranean University, functioning within a University Centre for Euro-Mediterranean Studies (Centre EMUNI), based in its coastal city of Piran, which is one of The Barcelona Process: Union for the Mediterranean (BP:UfM) projects.[70] Since Slovenia supported the July 2008 launched idea of BP:UfM[71] as an upgrade of the EMP, it intensively engaged itself in the inclusion of Western Balkans Mediterranean states, namely Albania,[72] Croatia, Bosnia and Herzegovina and Montenegro into the process. At the same time, Slovenia undertook a strong stance that the Western Balkan states' inclusion in the EMP and BP:UfM should not be understood as an alternative to their potential EU membership (Stabej, 2008).

A similar strategy of profiting from a prominent position in international institutions to promote a Mediterranean foreign policy is also long genuine to Greece. Examples are: Greek 2006 Mediterranean Forum presidency and presidency of the UN Security Council.[73] The state's general priority is to co-operate within the framework of EU-Mediterranean relations and especially within the Mediterranean Forum (see below).[74] However one should note that Greece gives priority to investment and economic opportunities by increasingly focusing on its Balkans identity and foreign policy orientation which prevails over the Mediterranean one despite the immigration problems from the area.[75]

[69] See Slovenian Presidency of the EU, *Slovenian Presidency Programme Si.nergy for Europe, January–June 2008,* 2008. Available at http://www.eu2008.si/includes/Downloads/misc/program/Programme_en.pdf (23 December 2009).

[70] See EMUNI, *Euro-Mediterranean University*, 2008. Available at http://www.emuni.si/si/strani/137/ Univerza-EMUNI.html (21 December 2009).

[71] *Déclaration commune du sommet de Paris pour la Méditerranée*, signed on 13 July 2008 in Paris.

[72] Albania (and Mauritania) was accepted into the EMP already at the November 2007 EMP ministerial conference (Council of the European Union, 2007: 4).

[73] See Bakoyannis, Dora. *Statement of (Greek) Foreign Minister Ms. D. Bakoyannis after the Ministerial Meeting of the Mediterranean Forum*, in Athens, 28 October 2006. Available at http://www.ypex.gov.gr/www.mfa.gr/Articles/en-US/30_10_06_MB900.htm (6 April 2007).

[74] See Greek Ministry of Foreign Affairs, *Greek Mediterranean Policy*, 2009. Available at http://www.mfa.gr/www.mfa.gr/en-US/Policy/Geographic+Regions/Mediterranean+Middle+East/Greek+Mediterranean+Policy/ (23 December 2009).

[75] Due to its open immigration policy, Greece is known as the California of the Balkans (Pace, 2006: 153). See also Peter Molyviatis, "Greek Foreign Policy for the Twenty-First Century," *Mediterranean Quarterly,* 16, 1 (2005).

One can observe that all the Balkan states which are not yet members of the EU have set themselves the EU membership as their primary foreign policy goal. The Foreign Ministries of e relevant states up to the end of 2009 do not have their primary activities focused on Balkan co-operation or the Mediterranean perspectives for co-operation. Only the Croatian foreign policy guidelines mention promotion of Croatia as a Mediterranean and Central European State.[76] Based on this, Croatian Foreign policy Yearbook for 2008 mentions the state's interest in co-operation within the Mediterranean Union[77] and also its more traditional Mediterranean focus on Adriatic sub-regional co-operation like Adriatic-Ionian Initiative.[78] Similarly, Bosnia and Herzegovina focuses on sub regional Mediterranean co-operation.[79]

In this regard, one of the launched forms of Balkan regional co-operation independent from the Mediterranean area is the Slovenian initiative of bridge-building or passing the experience of democratisation and EU-law harmonisation from the process of EU accession to the other (to be) candidate states from the Balkans, due to the comparative advantage in knowledge of languages, customs, legal system, culture, economy, history etc. Another example of Balkan co-operation is building good bilateral neighbourly relations, where also the two entities of the Bosnian state can act on their own in-line with Dayton agreement-limited foreign policy capacity; examples include incentives of co-operation 'special relations' (between Republika Srpska and Serbia), a similar agreement also including co-operation in tourism, energy and transport between Republika Srpska and Montenegro, and economic and political co-operation in Euro-Atlantic integration bids between Montenegro and Macedonia.[80] Albanian government similarly set itself to collaborate with other countries in the Western Balkans to increase the chances of more pre-accession funds by the EU as their common aim is EU integration; other Balkans states exposed are Turkey and Greece however not in the context of Mediterranean co-operation.[81] The state of Mon-

[76] See Croatian Ministry of Foreign Affairs and European Integration. *Odrednice vanjske politike* [*Guidelines of foreign policy*], 2009. Available at http://www.mvpei.hr/MVP.asp?pcpid=4 (22 December 2009).

[77] Croatian Ministry of Foreign Affairs and European Integration, *Godišnjak/Yearbook*, 2008. Available at http://www.mvpei.hr/custompages/static/hrv/files/godisnjak08/pdf/godisnjak_008.pdf (21 December 2009), 24–25.

[78] Ibid., 58.

[79] See Presidency of Bosnia and Herzegovina, Opći pravci i prioriteti za provođenje vanjske politike Bosne i Hercegovine [General guidelines and priorities for the implementation of foreign policy of Bosnia and Herzegovina], accepted on 26 March 2003 in Sarajevo. Available at http://www.mfa.gov.ba/index_bos.htm (22 December 2009).

[80] See SETimes, *RS proposes special relations accord with Montenegro*, 4 July, 2008. Available at http://www.setimes.com/cocoon/setimes/xhtml/en_GB/newsbriefs/setimes/newsbriefs/2008/07/04/nb-06 (23 December 2009).

[81] *Albanian government programme 2005–2009,* Presented in the Albanian Parliament in Tirana, 8 September 2005. Available at http://www.mfa.gov.al/ (23 December 2009), 41–42.

tenegro is the only one in the group of Western Balkan states which identifies itself with a Mediterranean geographical historical and civilisation component, and has therefore set itself as a foreign policy priority to co-operate within the Mediterranean and especially with Turkey and Egypt as the leading Eastern Mediterranean states.[82] The results of the decision to join the UfM and the functioning of the Balkan Mediterranean states within the UfM projects are of course yet to be seen and evaluated.

Balkan states' inter-governmental Mediterranean regional co-operation

The Balkan Mediterranean States also cooperate in inter-governmental regional arrangements, either within the United Nations (UN) umbrella agencies or within international governmental organizations (IGOs) with a Mediterranean mandate. Within the UN system there are three agencies dealing with the Mediterranean, namely UNEP, UNESCO and World Bank (WB) (in association with World Meteorological Organisation – WMO). The most comprehensive of all is the Mediterranean Action Plan (MAP), established under UNEP Regional Seas programme 1976 in Athens, Greece. MAP is a regional cooperative effort involving 21 countries bordering the Mediterranean Sea, as well as the EU, some IGOs and over 90 NGOs. Balkan states participating in MAP are Albania, Bosnia and Herzegovina, Croatia, Greece, Slovenia and Turkey.[83] MAP operates through five regional centres; one of them – Priority Actions Programme Regional Activity Centre, established in 1978 is seated in Split (Croatia). The Mediterranean Commission for Sustainable Development (MCSD) which has an advisory board with MAP is seated in Athens since 1995. UNESCO organizes regional initiatives within the Global Water Partnership (GWP). Since 2002 one of them is GWP-Med, an Athens-seated platform that brings together organisations from the Mediterranean and beyond that work on water issues in the region.[84] WB together with WMO sponsors Mediterranean Hydrological Cycle Observing System (MED-HYCOS), found in 1993, whose Balkans participating states are Albania, Croatia, Bosnia and Herzegovina, FYRM, Greece, Slovenia, Turkey, Yugoslavia.[85] WB also funds Mediterranean Environmental Technical Assistance Program (METAP), whose Balkans participating states since 1990 are Albania, Bosnia and Herzegovina, Croatia and Turkey; the programme also used to run in Slovenia.[86]

[82] Montenegrin Ministry of Foreign Affairs, *Spoljnopolitički prioriteti Crne gore [Foreign policy priorities of Montenegro]*, 2009. Available at http://www.mip.gov.me/index.php/pdf/Ministarstvo/spoljno-politiki-prioriteti-crne-gore.pdf (23 December 2009), 6.

[83] See UNEP, *Regional Seas Programme; Mediterranean*, 2006. Available at http://www.unep.ch/regionalseas/regions/med/medhome.htm (23 December 2009).

[84] See GWP-Med, *Global Water Partenrship*, 2009. Available at http://www.emwis.net/partners/gwp/ gwp-med (23 December 2009).

[85] See MED-HYCOS, *MED-HYCOS Countries Representatives*, 2009. Available at http://medhycos.mpl.ird.fr/en/t1.whoi&gn=ser.inc&menu=projectimp.inc.html (23 December 2009).

[86] See METAP, *About METAP*, 2008. Available at http://www.metap.org/ (23 December 2009).

There exist two regional IGOs with a Mediterranean Mandate, namely a European and Mediterranean Plant Protection Organisation (EMPPO), founded in 1951 and International Commission for the Scientific Exploration of the Mediterranean Sea (CIESM), established already in 1910. EMPPO is an IGO responsible for European co-operation in plant protection in the European and Mediterranean region under the International Plant Protection Convention. Participating states are Albania, Croatia, Greece, FYRM, Serbia, Slovenia and Turkey.[87] CIESM started as a venture between experts in 1908 and as the idea attracted the interest of governments, it was formed in 1919, no being 'one of the oldest and most enduring scientific intergovernmental organisations in the world'. Its Balkan Mediterranean members are Croatia, Greece, Serbia-Montenegro, Slovenia and Turkey.[88] The only fully functioning pan-Mediterranean institution, but not as a formal IGO, is Forum for Dialogue and Co-operation in the Mediterranean (Mediterranean Forum), proposed in 1991 and in existence since 1994. The Mediterranean Forum currently includes eleven Mediterranean states which co-operate in the fields of politics, economy, and social and cultural affairs, to which only Greece and Turkey are Balkans participants.[89] Memberships/participation of Balkan states in the mentioned Mediterranean regional institutions is presented in Chart 1.[90]

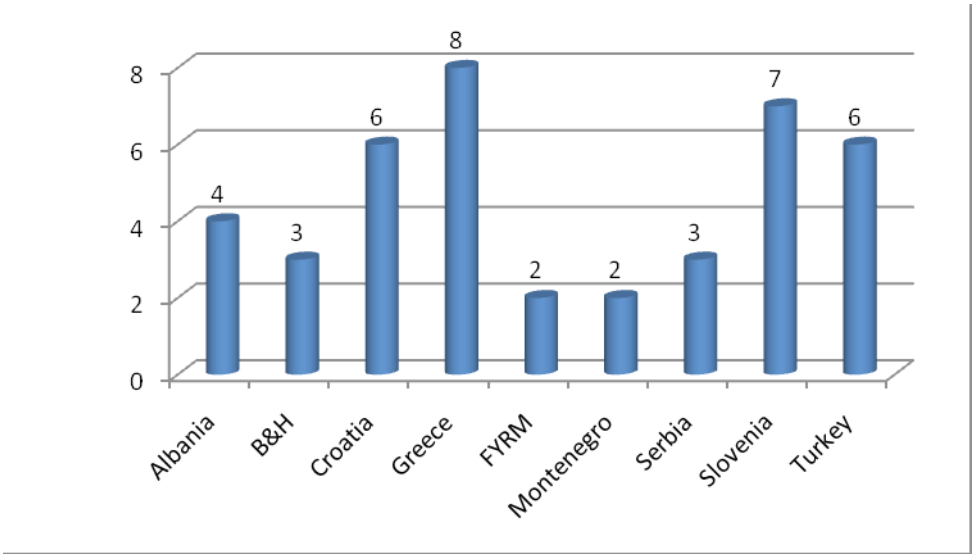
[87] See EMPPO. *About the European and Mediterranean Plant Protection Organization*, 2008. Available at http://www.eppo.org/ABOUT_EPPO/about_eppo.htm (23 December 2009).

[88] See *CIESM, The Mediterranean Science Commission, About us,* 2005. Available at http://www.ciesm.org/about/index.htm (23 December 2009).

[89] Stephen C. Calleya, "The Euro-Mediterranean Partnership and Sub-Regionalism: A Case of Region-Building?," in *The Convergence of Civilisations. Constructing a Mediterranean Region*, ed. Emmanuel Adler et al (Toronto, Buffalo, London: University of Toronto Press, 2006), 113.

[90] The author exposes a methodological problem of the newly developed states which are still not properly labelled as members in Correlates of War database (Pevehouse *et al*, 2003) (e. g. Serbia-Montenegro and Yugoslavia are taken here as a membership of now two states, but marked with *).

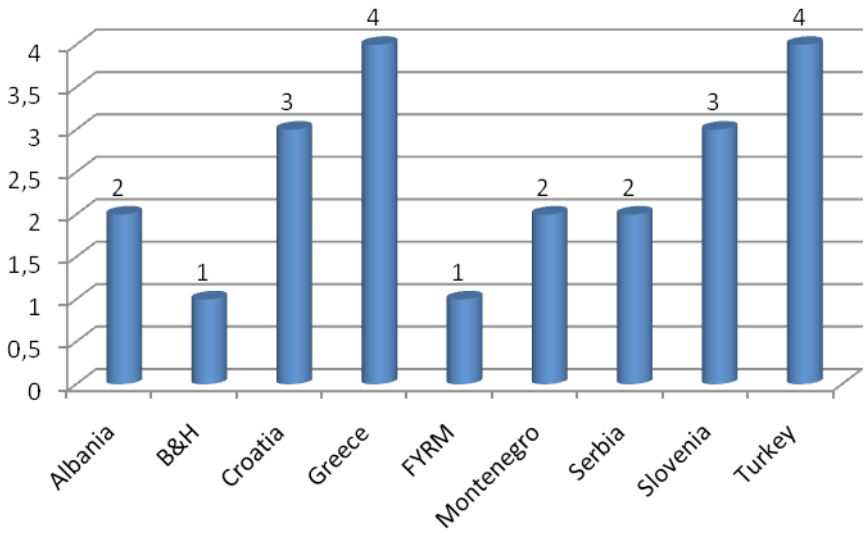
Chart 1: Quantitative participation of Balkan states in the Mediterranean mandated IGOs/programmes



Source: Author's own calculation on the basis of database Pevehouse et al. (2003).

Chart 2 exposes participation of Balkan states in the Mediterranean regional governmental institutions (EMPPO, CIESM, Mediterranean Forum and UfM), meaning within Mediterranean co-operation, not under the UN system management. One can notice a big change regarding the Balkan states' participation in this context, as previously – counting the UN system – Greece, Slovenia, Croatia and Turkey exposed the biggest presence in the area, but all other states were also included with at least two participations. Taking into account only Mediterranean regional co-operation, governments of Bosnia and Herzegovina and FYRM are barely present, and Albania, Montenegro and Serbia have only 2 out of four memberships. Only Greece and Turkey come out as 'fully Mediterranean' states.

Chart 2: Quantitative participation of Balkan states in the Mediterranean governmental institutions



Source: Author's own calculation on the basis of database Pevehouse et al. (2003).

Balkan non-governmental Mediterranean co-operation

Complementary to inter-governmental co-operation, it is promising to see that there are many Balkan civil society co-operation initiatives initiating fresh regional co-operation (e.g. Balkans Civil Society Development Network, Green Balkans NGO, Balkansweb).[91] Those INGOs contribute to co-operation of Balkan states' civil societies, however, not with a Mediterranean Mandate. The latter are presented in Table 3 and summarised in Chart 3.

[91] Conversation with Western Balkans states' civil society NGOs representatives in a Round Table organised by the Slovenian Government and Media Office, Ljubljana, May 10, 2006.

Table 3: Mediterranean mandated INGOs with Balkan states' civil society participation

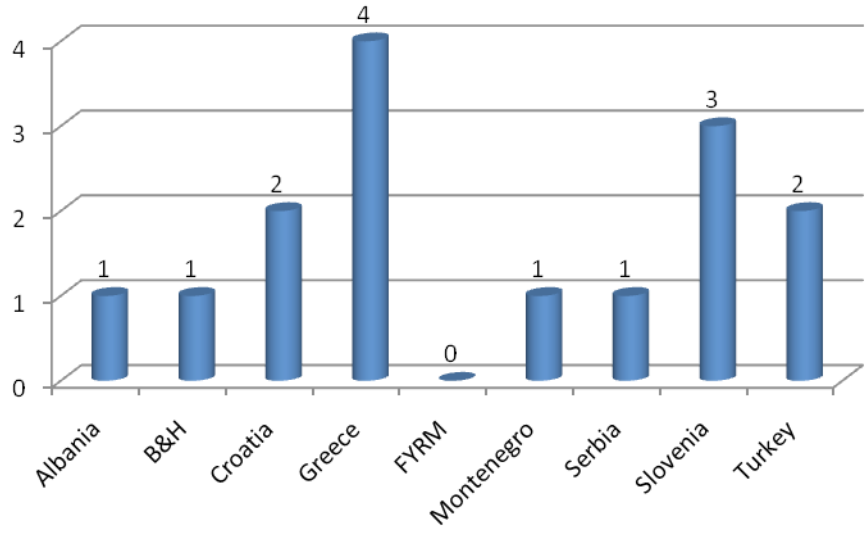
Name of the INGO	Foundation and Seat	Goals of the INGO
Friends of the Earth programme FOE MedNet	1992; regional office 'Friends of the Earth Croatia' in Zagreb (Croatia), called Zelena Akcija (The Green Action)	-promotion of sustainable development in the region and increasing awareness of the need to protect the environment; -strengthening the environmental movement and promotion of NGO cooperation within the Med. region; -monitoring important political issues for the Med. environment particularly the EMP, the MAP and the MCSD - stimulating NGO participation in these political processes
MEDForum	1996, Barcelona (Spain) – participation of NGOs from Albania, Croatia, Greece, Turkey and Slovenia; aims to include Bosnian and Serbian NGOs	- a network of NGOs from the Mediterranean basin - promotion of the defence and protection of the environment within a framework of sustainable development
Mediterranean Information Office for Environment, Culture and Sustainable Development (MIO-ECSDE)	1990/6, Athens (Greece)	- acts as a technical and political platform for the intervention of NGOs in the Mediterranean scene. - in cooperation with governments, IGOs and other socio-economic partners, it plays an active role for the protection of the environment and the promotion of sustainable development of the Mediterranean region and its countries

Mediterranean Wetlands Initiative (MedWet)	1991, Kifissia (Greece)	- wetlands conservation and wise use, as a contribution to sustainable development, - programmes: Conservation and management of Cheimaditida-Zazari wetlands, WFD – Water Framework Directive in Greece, IMEW – Integrated Management of European Wetlands, Water Quality and Aquatic Biotopes, WMP – Water Management Planning, EVALUWET
Centre for Mediterranean Studies	1993, Podgorica (Montenegro)	- research centre deals with Political Science, International Relations, Ecology and Culture and publishes a Journal 'Adriatico: a review of the Centre for Mediterranean Studies'
Economic Research Centre on Mediterranean Countries	1997, Akdeniz University, Antalya (Turkey)	- to contribute to the development efforts of southern Mediterranean countries and their integration with the European Union by developing scientific co-operation and strengthening international relations among Mediterranean countries through scientific activities
Hellenic Foundation for European and Foreign Policy (ELIAMEP, 2009)	1988, Athens (Greece)	- Mediterranean oriented research institution, doing research in topics pertaining to European foreign and security policies in the wider Southeast European, Black Sea and Mediterranean regions - educational co-operation with Bilgi University (Turkey)

Euro-Mediterranean University, University Centre EMUNI (EMUNI, 2009)	2008, Portorož (Slovenia)	- aiming to become an international university with a special focus on cultural diversity. - establishing an environment, which will have a stimulating effect on connecting different nations and cultures in an academic sphere.
Institute for Mediterranean Humanities and Social Studies (2008)	2001, Koper (Slovenia)	- research of the geographically complex region of Primorska and Istra, its history and contemporary social processes and the area as an ethnic, i.e., national, and cultural meeting point between Central Europe and the Mediterranean and the East and West of Europe, with emphasis on Mediterranean studies. - includes as a research Centre for Southeastern Europe

Source: Author's own elaboration.

Chart 3: Balkan Mediterranean states civil society participation/hosting of Mediterranean INGO



Source: Author's own calculation on the basis of data presented in Table 3.

From the above presented analysis one can conclude that quantitatively Balkan states are similarly present in the Mediterranean in terms of non-governmental and inter-governmental co-operation; only FYRM appears to have no NGO Mediterranean contact and four states participate in/hold seat of at least one NGO. One sees very old established institutions of governmental co-operation which are mainly of low political profile, promoting functional co-operation. The only recent governmental initiative is the UfM, much sponsored by the EU. On the other hand, functional co-operation (environmental protection, culture, science, education) seems to be taken over by the INGOs after the end of the Cold War. In this regard, the presence of Balkan Mediterranean states is relatively larger within the active INGO initiatives compared to their presence in the more "dormant" formal governmental institutions. This proves that contrary to a recent change (in 2008) in the EU and Balkan states preferences/perceptions of the role of the (Western) Balkans in the Mediterranean, the rise of INGOs in the Mediterranean after 1989 as established by Šabič and Bojinović[92] brought about inclusion of Balkan non-governmental actors into Mediterranean co-operation initiatives already at the end of the Cold War.

Conclusion

The present study has shown that the Balkans' role in the Mediterranean regional co-operation is historically framed within three phenomena, i.e. typical East Europe-type of nation-state formation from previous multi-ethnic empires/states, constant influence of external actors in the Balkan (sub)region also to gain power in the wider Mediterranean and perception of difference from the Western Europe despite strong societal-cultural links between the coastal Balkans with the Mediterranean. There exist some aspects, historically defining the Balkans as part of the Mediterranean regional relations, i.e. geography and military-strategic aspect. However, economically the Balkans was mainly autarkic and culturally, Balkan peoples until the 20th Century did not intensely co-operating within the Mediterranean – only the mentioned coastal parts were connected with the West through the Sea; more important for Europe-Balkan relations were continental links. In the Balkanisation conditions, Balkan nations initiated co-operation among themselves as a common defence from big (external) powers in order to remain preserved on the map of states. Cases identified are Illyrian movement, Yugoslav (South Slavic) co-operation (both in the 19th Century), Balkans conferences, Balkans Entente (both in the interwar period), Balkans Pact (1950s), the Balkan issue within the NAM and Balkan Ministerial Conferences (both during the Cold War).Promotion of Mediterranean co-

[92] See Zlatko Šabič and Ana Bojinović, "Mapping a Regional Institutional Architecture: the Case of the Mediterranean," *Mediterranean Politics,* 12, 3 (2007), 317–336.

operation of Balkans states was also undertaken by individual states, especially Turkey in the interwar period and Greece and Yugoslavia within the NAM.

On the other hand, state-building process in the Balkans sometimes made external powers perceived as legitimate regional hegemons able to prevent Balkan states' own geostrategic territorial aspirations against their neighbours. This type of reasoning has only accentuated in the light of the general Mediterranean instability and need for economic development after the end of the Cold War and in Western Balkans conflicts resolution in the 1990s, where the EU has established itself as *the* external actor. Since all Balkan states aspire to become members of the EU it has been argued here that the EU therefore offers an indirect influence (a context) for foreign policy behaviour of its neighbouring area. Furthermore, a direct EU influence (actorness) was also shown in the fact that the EU did not include Balkan states in its conceptualisation of the Mediterranean (policy, i.e. the EMP) because it treated the area with a different (enlargement) foreign policy than the Mediterranean neighbourhood, preventing the Western Balkans governmental co-operation from the Mediterranean (e.g. the EMP).

Balkan states regionally and bilaterally co-operate(d) among themselves in the context of EU bid prospects, but (as seen in the analysis of inclusion in intergovernmental political institutions) with no genuine incentive for Mediterranean co-operation, except Greece and Turkey. They were dealing with their own nation/state-building processes which included on the one hand identity self-perception in relation to the nearby states and on the other, foreign policy conduct under the conditions set by the international agreements, deriving either from the Balkan wars in the 1990s either from the EU enlargement policy. Besides the EU members Greece and Slovenia – the first holding seats to Mediterranean functionally mandated UN agencies and the second recently expanding its small-state foreign policy strategy from the Western Balkans also to the Mediterranean –, only a couple of other states, i.e. Croatia and Montenegro refer to their Mediterranean identity component in their foreign policy priorities documents. Only recently the Western Balkan states joined the UfM and this article argued that the source of this change does not derive from Balkan states' planned foreign policy goals in the Mediterranean since the latter have previously been quite reserved if not entirely non-existent.

These findings lead to a plausible conclusion that rather than in foreign policy planning, the grounding for the recent change may lie in the more long-term historically conditioned processes exposed above, namely state-building, role of external actors and societal-cultural connection of the Balkan Peninsula to the Mediterranean. The three processes refer to the stabilisation of state-building in the area, EU's influence as a context (Balkans states' goal of EU membership) and an actor (EU's will to reinvigorate the stalled progress of the Barcelona process with the UfM) and continuous inclusion of Balkan non-governmental (civil

society) entities in Mediterranean regional co-operation. It is to be exposed, however, that despite the inclusion of Western Balkan states into the new Mediterranean regional framework, this actually does not directly widen the political space of the Mediterranean region since the UfM is based on concrete projects of environmental protection, sustainable development, water management, education etc. whereby – as the above analysis of inter-governmental co-operation shows – Balkan states already co-operate in the UN system specialised agencies and two Mediterranean functional IGOs. Since the inclusion of the Western Balkan states into the UfM may as well be a performance of an instrumental EU-carrot motivated "shift to the Mediterranean" foreign policy, the actual effects of this change in terms of alternating the political landscape of Mediterranean regional affairs are therefore yet to be seen and studied.

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