



**Made to Measure?
Europeanization, ‘goodness of fit’
and adaptation pressures
in EU competition policy and regional aid**

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ABSTRACT

Increasing attention has been devoted to understanding the process and outcomes of Europeanization, but the *measurement* of its impact and of the adaptational pressures involved remains elusive. Conventional constructs of Europeanization view 'goodness of fit' as a key indicator of the level of adaptational pressure. However, the number and variety of factors to consider casts doubt on the usefulness of this concept as a *predictor* of outcomes, as opposed to an *ex post* explanatory variable.

The measurement of Europeanization and adaptational pressures can be facilitated by three elements: adopting an EU-wide perspective to enable a comparative assessment of impacts and outcomes; using a clear example of a new European level policy initiative that impacts on all Member States simultaneously; and a detailed knowledge of the *ex ante* and *ex post* situation in each Member State. The case study analysed here incorporates all these elements.

In 1998 the European Commission introduced regional State aid guidelines that were explicitly modelled on the German approach to regional aid. From 2000 these rules were to be imposed on all the Member States, almost all of which had radically different regional aid traditions. Over the period 1998-2000, this resulted in fundamental policy reviews in most countries and intense negotiations between Member States and DG Competition. Counter-intuitively, perhaps, given the apparently very limited adaptation required, the most difficult negotiations concerned German regional aid, with the dispute culminating in Germany challenging the Commission before the European Court of Justice.

Against this background, this article provides a cross-country analysis and evaluation of adaptational pressures under the 1998 regional aid guidelines. It contributes to the Europeanization literature by exploring the means by which policy change can be measured and by investigating whether the predictive capacity of 'goodness of fit' can be improved.

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1. INTRODUCTION

The impact of the EU on national public policies has been a central theme in European integration theorising, not least amongst the early North American-led scholarship which launched the sub-discipline. Ernst Haas's (1958) seminal study of the European Coal and Steel Community, devoted a whole chapter to the operation of the common market, focussing on the impacts of ten ECSC policy areas¹ on the founding six members, exploring the adaptation pressures confronted and subsequent reactions (Haas 1958, 60-110).

A decade later, two prominent integration theorists criticised the absence of systematic research on EU policy implementation arguing that it was an ‘area which must receive more attention in the years to come ...if we are really to understand the “new Europe”’ (Lindberg and Scheingold 1970, 66). A similar deficiency was highlighted by Donald Puchala who coined the term “post-decisional politics” (Puchala 1975, 497-8) – paralleling recent definitions of Europeanization over thirty years ago! - to refer to ‘[th]e transmission downward and outward of regional directives from Brussels to the national peripheries, and the problems, pitfalls and impacts involved’.

Further and more substantive empirical treatment of EU public policies was provided by European scholars, particularly by Wallace *et al* (1977, 1982). In setting out the analytical framework, Helen Wallace (1982, 44) stressed the focus on ‘the intrusion of Community issues into the policy processes of the member states – and their political repercussions’.² Research coordinated by Sedentopf and Ziller (1988) was perhaps the first to provide a systematic analysis of EU policy impacts across all EU Member States and a range of policy areas. This was followed by an explosion of policy studies throughout the 1990s, notably on EU cohesion, environmental and transport policies.

The main objective of this paper is to contribute to the understanding of the Europeanization of public policy through a cross-national study of the impact of EU state aid policy on the EU15. There are two reasons why regional state aid policy provides a good case study. First, it is a highly Europeanized policy area where the Commission

¹ It is particularly fitting in the context of this study that one of the policy areas examined by Haas was the ‘elimination and reduction of subsidies’ (Haas 1958, 85-88), arguably the first scholarly account of the Europeanization of state aid policy.

² Having said this, most of the chapters were mainly concerned with policy change at the EU level, which, as noted by Bulmer (1983, 349), ‘overshadowed some of the equally important findings concerning policy-making in the member states’.

exercises extensive legislative and executive autonomy and is expected to exert significant influence over the Member States. Given the high adaptational pressures involved, this area is ideally suited to assess empirically the degree of Europeanization (Risse *et al* 2001, 6). It is also a good case study for testing goodness-of-fit propositions, which are considered to offer most analytical leverage in policy areas where the mode of EU governance is hierarchically and compliance driven (Knill and Lehmkuhl 1999, 2002; Bulmer and Radaelli 2004, 10).

Second, EU state aid policy generally remains an under-researched policy area (Allen 1977, 1983; Lavdas and Mendrinou 1995; McGowan 2000). Where it has been the object of scholarly enquiry, the focus has been on policy change at the EU level (e.g. Cini 2000; Smith 1996, 2001) or on the impacts of different EU decisions on single national cases, such as France (Le Galès 2001), Italy (Gualini 2003, 2004) and Germany (Thielemann 2000). There has been no systematic comparative research exploring the impact of a single EU state aid policy initiative on all Member States.

The paper is in six further sections. Section 2 presents the research design for the empirical analysis. Section 3 describes the historical development of regional aid control, culminating in the application of EU regional aid guidelines for the 2000-2006 period. To determine the adaptational pressures placed on Member States by the new guideline approach, Section 4 reviews the degree to which traditional approaches to regional aid mapping could be expected to fit within the guideline model. Section 5 then measures the adaptational responses of the Member States to the guidelines. Section 6 moves beyond the initial map development phase to consider the extent to which policy can be viewed as having been Europeanized. A final section draws together conclusions.

2. RESEARCH DESIGN

The key methodological challenge confronting empirical research on Europeanization lies in isolating the “net” impact of the EU on domestic institutions and policies, particularly in terms of separating and disentangling global (Berger and Dore 1996; Keohane and Milner 1996; Friedman 1999) and domestic factors from European pressures (Wallace 2000; Hurrell and Menon 2003). A second empirical challenge is to generalise findings across time and space, partly due to the small number of cases typically included in such studies and the lack of genuinely comparative research projects.

A number of methodological techniques can help address these challenges, including bottom-up research designs, process tracing, counterfactual reasoning and the use of more systematic comparative methods. Following the recommendations of a number of scholars (Radaelli 2003, Borzel 2005), this study explicitly incorporates a bottom-up research design, drawing on well-established approaches in the policy implementation literature (Lipsky 1971; Hjern and Porter 1981; Barret and Fudge 1981). More specifically, it combines “backward mapping” and “forward mapping” research techniques as proposed by Elmore (1979). The latter approach ‘begins at the top of the process, with a clear ... statement ... of the policy-makers intent. ... At the bottom of the process ... a satisfactory outcome would be ... measured in terms of the original statement of intent’

(Elmore 1979, 602). The former perspective, on the other hand, 'begins ... with a statement of the specific behaviour at the lowest level of the implementation process which generates the need for policy' (Elmore 1979, 604).

The empirical analysis that follows is top-down in that it examines the extent to which EU level policy objectives were met and explores the intervening factors which account for policy responses and outcomes. However, it is also strongly informed by backward mapping techniques as it begins with a comprehensive analysis of the starting conditions for designating regional aid areas in each Member State. A key advantage of this approach is that it allows relative precision in specifying goodness of fit and also in assessing the degree of Europeanization resulting from the new policy rules. Furthermore, 'it does not assume that policy is the only - or even the major - influence on the behaviour of people engaged in the process' (Elmore 1979, 604). The bottom-up approach is also apparent through the focus on how Member States have responded to EU pressures and in seeking to understand the internal reasons for these reactions, including whether Member State (as opposed to solely EU) objectives were met.

The value of 'process tracing' techniques (Bennet and George 1997) are well recognised (Radaelli 2003, 48; Risse *et al* 2001, 4). This study places a particular focus on the sequencing of map changes. Following the overview of historical approaches to area designation, which provides the context for the latest policy initiatives, the analysis of adaptation responses and outcomes is disaggregated into three stages: the initial submission of regional aid maps to the Commission; negotiations with the Commission; and the final map submissions and outcomes. The aim is to produce a fine-grained analysis of adaptation and policy change across all Member States that is sensitive to process dynamics.

A further strategy to demonstrate the causal importance of the EU is the use of counterfactual reasoning (Haverland 2005, 4-6). To more fully capture the degree of Europeanization, the penultimate section tries to create a counterfactual scenario. It compares the initial submissions with the final outcomes and explores whether underlying domestic policy preferences were really challenged.

Last, this paper responds to Radaelli's (2000, 19) call for an intensification of "comparative public policy analysis" in the study of Europeanization. Comparative methods can help overcome some of the aforementioned methodological challenges. One important advantage is that they allow for the testing of hypotheses and controlling of variables e.g. by assessing whether cases with a similar goodness of fit (independent variable) produce similar policy responses (dependent variable). Related, comparative policy analysis can facilitate the development of causal inference by placing Member State responses to the EU within the broader domestic and global context. The examination of a single public policy change across all Member States provides analytical leverage in measuring the independent influence of the EU, particularly, in the case selected, since the policy decision marked a significant departure in almost all Member States. Further, by increasing the number of observations, the validity of the conclusions drawn is enhanced. Finally, the comparative study of the EU15 can help in understanding differences in the scope and substance of major EU policy impacts affecting all Member

States. Cross-national investigation can therefore enable us to overcome “culture bound generalisations” (Rose 1972, 70) and broaden our depth of understanding of Europeanization beyond the usual suspects (e.g. the UK, France and Germany).

The analysis is based on a detailed examination of published and unpublished documentation and on more than 50 semi-structured interviews with high-level policymakers involved in developing and negotiating aid area maps under the guidelines, as well as in DG Competition and DG Regio. The interviews took place between 1999 and 2002. Intercoder reliability was employed to ensure the robustness of the analysis.

3. THE MODEL – EU REGIONAL AID CONTROL

The legal basis and general background to the competition policy control of state aids have been described in detail elsewhere.³ The essence of the Treaty provisions is that, although Article 87 provides for a general ban on State aids, there are two regional policy exceptions to this prohibition. Article 87(3)(a) allows aid in areas where the “standard of living is abnormally low or where there is serious underemployment”; Article 87(3)(c) enables aid for the development of certain activities or areas, where trade is not affected “to an extent contrary to the common interest”. These provisions have been extensively interpreted by the European Commission, mainly through published guidelines and communications.

The development and application of these rules has not been smooth. Early on, Commission scrutiny was rather tentative, but in the 1970s the Commission adopted a series of communications on the ‘coordination’ of regional aids which introduced a number of principles that remain central to regional aid control: targeting aid at disadvantaged regions; calibrating aid levels to regional disparities; and requiring aid values to be measurable and comparable across countries.

From the early 1970s, the Commission began to intervene directly in the design of regional aid policies. This was partly based on the Treaty requirement that Member States gain prior approval for any plans to offer aid or change existing schemes (Article 88(3)) and partly on the Commission’s role in keeping State aids “under constant review” (Article 88(1)). However, there was no *detailed* published justification for Commission action until 1988 when the Commission outlined the method underlying its decisions to authorise or outlaw Member State regional aid proposals.⁴ Under the 1988 Communication, Article 87(3)(a) regions were defined as NUTS II⁵ areas with GDP(PPS) per head of less than 75 percent of the EU average for the last five years for which data were available, while Article 87(3)(c) areas were principally determined by national disparities in GDP per head and unemployment rates.

³ See generally D’Sa (1998) and, on regional aid specifically, Wishlade (2003).

⁴ Commission Communication on the method for the application of Article 92(3)(a) and (c) to regional aid, OJEC No. C 212 of 12 August 1988.

⁵ NUTS refers to the European Nomenclature of Statistical Units which are defined across the EU at up to five different levels. NUTSII is equivalent to a French or Italian region or a Spanish Autonomous Community.

The Commission’s decision to publish its methodology met with a mixed response; where previously Member States had attacked the lack of transparency in the Commission’s approach, now arguments shifted to substantive issues. Around this time, the Commission had to review German aid map proposals following reunification. German regional policy relations with the Commission had always been problematic and the map discussions were expected to be difficult. However, the Commission recognised the domestic challenges created by reunification and allowed considerably more flexibility in the selection of aid areas than previously – provided that the agreed population coverage of the map (as a percentage of the national population) was not exceeded. This approach departed significantly from the 1988 Communication: instead of focusing on *which areas* should be designated, the *population coverage* of the designated areas became the key element of regional aid discipline.

Given the success of this approach in Germany, DG Competition began informally to pilot it in subsequent map negotiations. In parallel it devised proposals for approving the selection of areas within the agreed population quota. It took the view that some further discipline over *how* areas were chosen was necessary to ensure that assistance was focused on meaningful areas of genuine need.⁶ Reflecting the federal domestic context, the German area designation system was transparent: it involved ranking labour market areas according to a set of agreed indicators. The Commission considered that imposing a similar model on all Member States would introduce the desired level of discipline and transparency; this philosophy underpinned the 1998 regional aid guidelines.

There were three main features to area designation under the guidelines.⁷ First, the *duration* of aid area maps was limited. The authorisation of current maps was to expire at the end of 1999 and the new maps would apply for a fixed period (2000-2006),⁸ coordinated with the phasing of Structural Funds programmes.⁹ This time-limited approach differed from the previous system under which new maps were drawn up at the initiative of the Member States or where aspects were revised at the instigation of the Commission.

Second, an EU15 *population ceiling* (42.7 percent) was introduced for national aid area coverage; the Commission considered that this would allow coherence between national and Structural Funds areas while restricting coverage to less than half the anticipated enlarged EU population. Within this ceiling, broadly the same definition of Article 87(3)(a) areas was applied as before - NUTS II regions with GDP(PPS) per head of less than 75 percent of the EU average (the definition of Objective 1 areas under the Structural Funds). The remaining population (under Article 87(3)(c)) was shared between Member States via a “quota” for each country. The global ceiling reduced overall aid

⁶ Ideally through standard geographical building blocks (ie NUTSIII or labour market areas); it wanted to outlaw the pin-pointing of areas (like industrial estates) with economic activities but, often, no resident population.

⁷ OJEC No. C74 of 10 March 1998

⁸ Although there was scope for mid-term review if a Member State so desired.

⁹ More generally, the Commission wished to see ‘coherence’ between aid maps designated for national and EU regional policy purposes, ensuring in particular that all areas eligible for EU Structural Funds should also be eligible for national regional aid.

area coverage significantly; prior to 1999, 46.7 percent of the EU15 population was contained within the designated aid areas.

Third, while previously the Commission had focused on whether the selection of a particular area was justified, the 1998 guidelines made each Member State responsible for designating Article 87(3)(c) areas within its population quota. However, certain parameters constrained the *method* by which eligible areas could be determined:

- the *methodology* had to be “objective”, and presented in a manner which enabled the Commission to assess its merits;
- the *indicators* (up to five could be used) had to be objective, relevant and based on time series of at least three years; in addition, regions with a population density of less than 12.5 per km² could also qualify;
- the *building blocks* were to be NUTS III or, where justified, an alternative unit (such as labour market areas). Only one type of unit could be used; moreover, designated areas had to have a minimum population of 100,000;
- the list of eligible regions had to be arranged on the basis of the chosen indicators;
- regarding Structural Funds *coherence*, Objective 2 regions could be included in addition to areas chosen using the methodology, subject to the population ceiling and the 100,000 population rule (but not the building block requirement). This became known as the Structural Funds derogation.

Finally, the guidelines laid down rate of award ceilings and indicated that award rates would be modulated to reflect the severity of the problem.

4. THE EXPECTED FIT – PREVIOUS NATIONAL APPROACHES TO REGIONAL AID MAPPING

To review how far national approaches could be expected to fit within the Commission model, the three main aspects of the model are considered: the timing of area designation exercises; map coverage; and the methodology for designating Article 87(3)(c) areas. A final section discusses expectations with respect to goodness of fit and adaptational pressures.

4.1 Timing and timescales

Prior to the 1998 guidelines, the Commission operated a rolling map review programme. Map revisions could also be initiated by Member States, but this was not common since any new map had then to be approved by the Commission (which often sought to reduce coverage). Only in Denmark, Germany and the Netherlands were there regular area redesignation exercises. However, whereas the Danish and German reviews involved well-established designation systems, the Dutch approach was specific to each review.

During the 1980s, Commission pressure for aid area cutbacks was countered by lengthy transitional provisions and special pleading by Member States. Just a few maps were processed by the Commission each year. Only at the start of the second Structural Funds period (1994-1999) was a concerted effort made to review virtually all maps. This alignment of review cycles culminated in the requirement that the Commission approve all maps from the start of 2000. Member States faced an end-1999 cut-off point, after which regional aid was unlawful until a new map was agreed. This increased the pressures to adapt to the Commission’s designation requirements, especially in those countries with no domestic tradition or established machinery for reviewing aid areas.

In terms of timing and timescales, Member States can be divided into three groups: those where few problems were anticipated, either because a time-limited approach and established review procedures already existed (as in Denmark and Germany) or because the whole country was eligible for support (Greece, Ireland and Portugal); conversely, many were expected to face challenges (Austria, Belgium, Finland, France, Italy, Luxembourg, Spain, Sweden and the United Kingdom) since map reviews had been so infrequent; and last, although there was no established designation machinery in the Netherlands, there was at least a tradition of regular map review.

4.2 Coverage

From a Commission perspective, population coverage became an important measure of regional aid discipline from the early 1990s. For the Member States it had always been a background issue. Moreover, up until 1999, population reductions had generally been relatively modest (Yuill, Bachtler and Wishlade 1999). Set against this, the cutbacks demanded by the 1998 guidelines were significant. Only in Finland, Greece, Ireland, Portugal and Spain did overall population coverage remain stable or increase slightly. In contrast, Austria, Luxembourg and the United Kingdom experienced cutbacks of more than 20 percent. All but one of the remaining Member States faced 10-15 percent reductions. The exception was Germany where the cutback was just over 7 percent. In addition, the Article 87(3)(c) quotas in Italy, the Netherlands and Sweden were very low, all below 16 percent.

4.3 Area designation methodologies

As noted earlier, the 1998 guidelines were developed around the German area designation system. The two approaches were not, however, identical. While the German system had an objective methodology, up to five indicators and a common unit of assessment (labour market regions), it also contained a qualitative element which allowed the *Länder*, by means of exchange, to include other regions with acute structural problems. The Commission, concerned about enforcing coverage discipline, removed the qualitative component from the final version of the guidelines (Wishlade 2003, 81). In Denmark, too, an objective methodology, combining five indicators to rank 59 groups of planning region in a single listing, was complemented by qualitative inputs from an inter-ministerial advisory group. Nevertheless, in both countries, quantitative aspects were central to the designation decision.

The expectation therefore was that Germany and Denmark would have few methodological problems with the 1998 guidelines. The same was true of Finland and Sweden because of the special provisions for sparsely-populated areas. Greece, Ireland and Portugal also had no methodological issues since their entire territory was eligible for support.

In other Member States, methodological concerns were expected to be more prominent. In some, like Austria, Luxembourg, the Netherlands and the United Kingdom, statistics were traditionally used to obtain an overview of the problem, but not in the explicit formalised way specified in the guidelines. In the remaining countries - Belgium, France, Italy and Spain - designation approaches were even more qualitative, creating obvious methodological challenges in compliance.

4.4 Expected adaptational pressures

Based on the above review, certain conclusions emerge about the broad goodness-of-fit of the 1998 guidelines with previous designation practice and the associated adaptational pressures on Member States (see Figure 1 and especially the notes thereto). Arguably the most important issue relates to the coverage cutback demanded. However, account also has to be taken of the extent to which previous designation systems were time-limited and had well-established designation procedures; and the methodological challenges posed by the guidelines. Bringing these arguments together, overall adaptational pressures were expected to be low in Denmark, Finland, Germany, Greece, Ireland and Portugal; medium in the Netherlands, Spain and Sweden; and high in Austria, Belgium, France, Italy, Luxembourg and the UK.

5. THE ADJUSTMENTS – MEASURING ADAPTATIONAL RESPONSES

This section analyses the initial map submissions under the 1998 guidelines to establish whether the anticipated adaptational pressures and responses (summarised in Figure 2) held true. Drawing on the Europeanization literature (Héritier et al 1996; Radaelli 2003; Borzel and Risso 2001; Schmidt 2001), Member State responses are divided into three groups: resistance, transformation and absorption. Responses fall under the *resistance* heading where submissions fail to comply with the guideline requirements. This may involve Member States retaining their original approach to policy or else adopting a revised approach which nevertheless does not meet the guideline stipulations. Regarding *transformation*, Member States respond to the changes required under the guidelines in their submissions. Finally, where there is *absorption*, guideline demands are accommodated without any significant change of approach.

Figure 1: Expected adaptational pressures across the Member States

	Timing-related	Coverage-related	Methodology-related	Overall
Austria	High	High	Med	High
Belgium	High	Med	High	High
Denmark	Low	Med	Low	Low
Finland	High	Low	Low	Low
France	High	Med	High	High
Germany	Low	Med	Low	Low
Greece	Low	Low	Low	Low
Ireland	Low	Low	Low	Low
Italy	High	Med	High	High
Luxembourg	High	High	Med	High
Netherlands	Med	Med	Med	Med
Portugal	Low	Low	Low	Low
Spain	High	Low	High	Med
Sweden	High	Med	Low	Med
UK	High	High	Med	High

Key:

Timing: **Low** = Time-limited approach with established procedures; plus countries where no area designation required; **Med(ium)** = Regular domestic reviews, but not time-limited nor with established procedures; **High** = Occasional reviews, no time limits.

Coverage: **Low** = No cutback; **Med** = Cutback of between 7 percent and 15 percent; **High** = cutback of over 21 percent.

Methodology: **Low** = Single rankings based on explicit indicators or no area designation requirement; **Med** = Overt, statistics-based systems with qualitative inputs; **High** = Essentially qualitative systems.

Overall: **Low** = Combined score of 3-5 (with Low=1, Med=2 and High=3); **Med** = Combined score of 6-7; **High** = Combined score of 8-9.

Figure 2: Expected adaptational pressures and responses

Expected adaptational pressures	Expected adaptational responses (policy change)
High	Austria, Belgium, France, Italy, Luxembourg, UK Resistance (Low)
Medium	Sweden, Netherlands, Spain Transformation (High)
Low	Denmark, Finland, Germany, Greece, Ireland, Portugal, Absorption (Low)

5.1 Measuring adaptational pressures and responses

One overall measure of adaptational pressures is the time taken to submit map proposals; this can be viewed as a proxy for the ease with which maps were devised under the guidelines. Set against the end-March 1999 target date, there were clear submission difficulties in Italy, Luxembourg and Sweden (delays of seven months or more), and in Austria and the United Kingdom (four- to five-month delays). Only in Luxembourg was the delay (partially) attributable to factors external to the guidelines (a change of government in June 1999); elsewhere, the guidelines provided a significant challenge. In contrast, there were no significant delays in Denmark, Finland, Germany, Greece, Ireland and Spain.¹⁰ In broad terms, the delays reflect the pattern expected from Figure 2. The main exception is Sweden, where concern at the (unexpectedly) low population quota (which in effect restricted map coverage to areas of sparse population) meant that no map was submitted until October. During this time, the Swedish authorities argued (unsuccessfully) for more generous treatment.

Submission delays are, of course, a relatively crude measure of adaptational pressures. At a more detailed policy level, Figure 3 assesses the initial map submissions in relation to the key requirements under the guidelines. It shows that *timing* issues were relatively uncontroversial. All but two countries transformed their systems to time-limited approaches covering the 2000-2006 period. The exceptions were Denmark (which absorbed the change by adjusting its time limits) and Germany. Germany resisted the seven-year period specified in the guidelines; instead, it submitted a 2000-2003 map, whilst scheduling a 2004-2006 review in line with previous domestic practice.

Regarding *coverage*, most countries submitted maps that complied with their population quotas. For Finland, Greece, Ireland, Portugal and Spain, this represented absorption since the ceilings were either unchanged or higher; in contrast, the acceptance of lower ceilings by Austria, Denmark, France, Italy, the Netherlands and (after delay) Sweden represented transformation. However, in Belgium, Germany, Luxembourg and the United Kingdom, the guideline ceilings were exceeded (*resistance*). In Belgium, it proved impossible for the regions to agree on the sub-division of the new national ceiling; instead, they made separate submissions which, in combination, exceeded the quota on the assumption that the Commission would arbitrate. In Luxembourg, the ceiling was exceeded by 0.2 percent of the population; the Luxembourg authorities (wrongly) anticipated that the Commission would agree to such flexibility. In the United Kingdom, ambiguity about the status of Northern Ireland was exploited; this led to the province being *added to* rather than *included within* the UK quota. Finally, in Germany, there was a rejection *in principle* of the new ceiling and the way in which it had been determined; this ultimately led to a case being brought before the European Court of Justice.

¹⁰ The slightly delayed (April) submissions for Greece, Ireland and Spain reflected the fact that EU agreement on the EU budget for 2000-06 (which impacted directly on the nature and coverage of regional policy in these countries) was not reached until the Berlin European Council (25 March 1999).

Figure 3: Goodness-of-fit –measuring adaptational responses

Timing	Coverage	Methodology					Award rates	Overall
		Unit	Use of unit	Indicators	Ranking	Composite		
Austria	T	T	A	R	A	A	T	R TTT AAA
Belgium	T	R	R	R	R	R	R	RRRRRR T
Denmark	A	T	A	A	A	A	T	TT AAAAA
Finland	T	A	A	R	A	R	T	RR TT AAA
France	T	T	T	R	T	R	R	RRR TTTT
Germany	R	R	A	R	A	A	R	RRRR AAA
Greece	T	A	A	A	A	A	T	TT AAAAA
Ireland	T	A	A	A	A	A	R	R T AAAAA
Italy	T	T	T	R	R	R	T	RRR TTTT
Luxembourg	T	R	A	A	T	R	T	RR TTT AA
Netherlands	T	T	R	T	R	R	R	RRRR TTT
Portugal	T	A	A	A	A	A	R	R T AAAAA
Spain	T	A	A	A	R	R	R	RRR T AAA
Sweden	T	T	A	A	A	A	R	R TT AAA
UK	T	R	R	R	A	R	R	RRRRR T A

Key:

R = Resistance (failure to comply); **T** = Transformation (policy change); **A** = Absorption (no need to change).

Regarding *methodology*, the guidelines proved to be unproblematic for Denmark, Greece, Ireland, Portugal and Sweden – and could be absorbed within the domestic approach to designation. In contrast, in Belgium, Italy, the Netherlands and the UK, the submissions infringed the guideline methodology in all or almost all respects (as measured by the Commission).¹¹ In a final group – Austria, Finland, France, Germany, Luxembourg and Spain –the submission reflected the methodology in most but not all respects.

Finally, with respect to *rates of award*, nine countries made submissions which exceeded the guideline stipulations. Only Austria, Denmark, Finland, Greece, Italy and Luxembourg submitted maps with award ceilings in line with the guidelines. While this may seem a high level of resistance, the guidelines were unclear on responsibility for setting rates and historically this task had fallen to the Commission. The French decision to submit higher rates than those specified in the guidelines was not resistance *per se* but rather the desire to leave unpopular arbitration to the Commission.

¹¹ Commission reservations were set out in formal notices, press releases and in communications with the Member States. In some instances, the Member States believed their submissions were in line with the guideline methodology and, indeed, this was their explicit aim. The UK, for instance, consulted regularly with the Commission services seeking confirmation that its proposals were compliant. It was not until the map was submitted that it became apparent that the approach was not acceptable - to the considerable frustration of the UK authorities.

Set against the expectations of Figure 2, the predominant pattern in Figure 3 is broadly as anticipated for Denmark, Greece, Ireland and Portugal (where absorption was the standard response). It is also as expected for Belgium and the United Kingdom, where high adaptational pressures were anticipated, as well as in France and Italy. Less predictable was the relatively low resistance in Austria, Luxembourg and Sweden – though, in each case, this followed significant submission delays. Finally, resistance was much higher than anticipated in Germany and the Netherlands. The marked German resistance is especially noteworthy given that the guidelines were modelled on the German approach.

5.2 Explaining the unexpected

How can the unexpected outcomes in respect of Germany, the Netherlands, Sweden, Austria and Luxembourg be explained? One explanation lies in the national significance of the policy area. Levels of regional aid expenditure help explain the particular importance of the issue to Germany and its relative lack of significance to Austria, Sweden and Luxembourg (Yuill, Bachtler and Wishlade 1999). However, the relatively low level of spend in the Netherlands leaves the Dutch resistance (as measured by Figure 3) unexplained.

Another explanation concerns the nature of the coverage change required by the population quotas. Although the *percentage* cutbacks in the Netherlands and Sweden fell within the medium group in Figure 1, the *absolute* quota for both countries was very low – just 15 percent in the Netherlands and 15.9 percent in Sweden – significantly increasing the designation challenge. Sweden was also negatively influenced by the fact that the quota was much lower than had been implied by the pre-guideline consultations. This factor was also important in Germany where policymakers had expected coverage to *increase*, but actually faced a (moderate) cutback. The resulting sense of injustice exacerbated German resistance to the guidelines.

A further explanatory factor derives from the ambiguity of the guidelines and, associated, the timing of map submissions. Some of the resistance recorded reflects a different understanding of the guidelines to that of the Commission (as, for instance, in the UK). Moreover, amongst early submitters (including the Netherlands) there was a belief that, as under the 1988 Communication, it would be possible to negotiate a compromise solution. In practice, this was not to be; on the contrary, the Commission was keen to highlight early instances where the guidelines were not met (to encourage the others). This, combined with Commission reluctance to set precedents, led to the Netherlands being characterised as a “resister” (see Figure 3), even though the map was not contentious domestically. Conversely, the late submissions from Austria, Sweden and Luxembourg – made after the rules of the game had become clearer – allowed maps to be submitted which were broadly acceptable to the Commission.

Underlying Member State reactions was the fact that, for most, the key driver was the *outcome* of the exercise - that is, the areas actually designated for support: the central question was whether a guideline-derived approach could deliver ‘sensible’ maps. Whether Member States resisted, accepted or absorbed the changes was directly related

to the extent to which their overall policy objectives could be accommodated. This underpinned the resistance in Germany where, despite the fact that the German model inspired the Commission’s approach, that approach failed to meet key German goals. This was most obvious with respect to the population quota, but the lack of domestic “fine-tuning” under the guidelines (the qualitative stage of the German methodology) also created difficulties for the German authorities.

6. THE FINAL CUT – MEASURING EUROPEANIZATION

This section considers the extent to which policy can be viewed as having been Europeanized. The emphasis is on assessing the degree of change imposed by the Commission in relation to the pre-1999 position. In practice, however, the initial submissions of the Member States cannot be ignored when measuring Europeanization. Although clearly tempered by the guidelines, these submissions also reflected Member States’ preferences at the time - while the pre-1999 maps were often an important starting point for the 2000-2006 designations, changing socio-economic circumstances meant that, by 1999, Member State preferences were not necessarily embodied in the existing maps.

Figure 4 relates the final outcomes of the negotiation process to the pre-1999 position. It takes the same approach as Figure 3 but, importantly, because of the need for Commission approval prior to implementation, there is no scope for *resistance*; instead, where there had previously been resistance, the negotiations led either to policy *transformation* on the part of the Member State or *compromise* (rule stretching) by the Commission.

Regarding *timing*, there was a clear Europeanization of the scheduling of map reviews. Previously, only Denmark and Germany had domestically-set expiry dates. Now, the same (EU-determined) expiry dates apply everywhere. There was initial resistance in Germany to moving away from a three- to four-year review. However, the Commission thwarted the planned 2004-2006 review, following which Germany too has indicated that it will accept a seven-year review period. As mentioned earlier, a key characteristic of the pre-1999 period was the use of lengthy transitional provisions to phase-out aid area status; for 2000-2006 DG Competition succeeded in imposing immediate terminal dates, in contrast with the arrangements for the Structural Funds and to the frustration of some Member States, notably France.

On *coverage*, the Commission was extremely successful in imposing population ceilings on the Member States. The principal exception is the United Kingdom which, as noted, exploited the sensitivities surrounding the Northern Ireland peace process to gain inclusion of the province *in addition* to the UK allocation. This increased the UK quota by three percent of the national population. In Germany, the pressure to ensure that at least some areas could receive regional aid from 1 January 2000 led to the submission of a revised map which *did* respect the ceiling. A subsequent attempt to challenge the ceiling before the European Court of Justice was unsuccessful.

Figure 4: Europeanization - measuring policy change

	Timing	Coverage	Methodology				Award rates	Outcome
			Unit	Use of unit	Indicators	Composite ranking		
Austria	T	T	A	C	A	A	T	C TTT AAA
Belgium	T	T	T	T	T	C	T	C TTTTTT
Denmark	A	T	A	A	A	A	T	TT AAAAA
Finland	T	A	A	C	A	C	T	CC TT AAA
France	T	T	T	C	T	C	C	CCC TTTT
Germany	A	T ¹	A	T	A	A	T	TTT AAAA
Greece	T	A	A	A	A	A	T	TT AAAAA
Ireland	T	A	A	A	A	A	C	C T AAAAA
Italy	T	T	T	T	T	C	T	C TTTTTT
Luxembourg	T	T	A	A	T	C	T	C TTTT AA
Netherlands	T	T	C	T	A	C	T	CC TTTT A
Portugal	T	A	A	A	A	A	C	C T AAAAA
Spain	T	A	A	A	C	C	A	CC T AAAA
Sweden	T	T	A	A	A	A	T	TTT AAAA
UK	T	C	T	T	A	C	T	CC TTTT A

Notes:

1) There was a small concession to Germany in allowing coverage to rise slightly under Article 87(3)(c) to compensate for population decline in east Germany.

Key:

C = Commission compromise (rules stretched); T = Transformation (policy change); A = Absorption (no need to change).

The outcome for *area designation methodologies* is more mixed and more difficult to assess. Prior to 1999, only Denmark and Germany operated single rankings of areas based on explicit indicators; whereas Denmark had no difficulty adjusting to the guideline methodology (absorption), Germany eventually had to forego the qualitative part of its methodology (transformation). In Greece, Ireland and Portugal, no methodological issues arose (since they were eligible in their entirety) and in Sweden, too, the methodology was straightforward given that nearly all the quota was accounted for by sparsely-populated areas. For the remaining countries, the Commission soon appreciated that a wholly statistics-driven approach based on uniform units of assessment and culminating in a single ranking was untenable. Rule-stretching was almost universal with respect to composite rankings, and is apparent in Austria, Finland, France and the Netherlands in terms of units of assessment.

Although timing, coverage and methodology are the core elements of change implied by the 1998 guidelines, a ‘technical’ assessment of the implementation of the new rules gives only a partial view of their impact in terms of Europeanization. A consideration of

the role of the pre-1999 maps in devising the initial submissions is also relevant, as is an assessment of the difference between the initial submissions and final outcomes.

In a number of countries, fieldwork reveals that policymakers took the pre-1999 map as the basis for the 2000-2006 designation. In Spain, for example, the decision was taken not to de-designate any areas, but to consult with the Autonomous Communities on which areas should be added to the map to use up the additional population quota; the key task then was to find the combination of indicators which would deliver that result under the guideline methodology. In the Netherlands, the existing map was also central – with two small exceptions, the initial proposal did not include any new areas, but simply removed areas from the existing map to come within the population ceiling. In both cases, the prescribed methodology was essentially reverse-engineered to produce a map corresponding to domestic policy needs while meeting the population ceilings. In this sense, some apparent transformation from a technical perspective conceals a high degree of absorption with respect to map outcomes.

For several countries, there were protracted negotiations between the initial submission and the final map (see Figure 5). In some cases, the Commission opened the formal investigative procedure; in others, the process was informal. For a majority of countries, more than one map was submitted. However, the length and heat of the negotiations, the number of submissions made and the depth of formal scrutiny are not necessarily indicative of the scale of change wrought by the Commission.

Figure 5: Timing, procedures, proposals and the significance of change

	Months from initial submission to approval	Article 88 investigative procedure	Number of maps submitted	Significance of change
Austria	10		3	Not significant
Belgium	16	Y	2	Significant
Denmark	7		1	None
Finland	7		1	None
France	9	Y	2	Not significant
Germany	12	Y	2	Significant
Greece	8		1	None
Ireland	6		1	None
Italy	9	Y	2	Not significant
Luxembourg	7		2	Not significant
Netherlands	16	Y	3	Not significant
Portugal	13	Y	1	None
Spain	12		1	None
Sweden	5		1	None
UK	12		2	Significant

Note: Significance of change refers to the differences between the initial proposal and the approved map.

Only in Belgium, Germany and the United Kingdom were the changes required by the Commission significant. For Belgium, the initial submission had essentially comprised three distinct proposals (one from each region) which neither respected the population quota nor met the single methodology requirement; the ultimate proposal was therefore significantly different, imposing a unified designation methodology on a country where there is no national-level responsibility for regional policy. In the German case, as noted, the national authorities ultimately surrendered to pressure to respect the population ceiling –a cutback of over 4 million people. In addition, DG Competition refused to allow the splitting of units (the qualitative stage of the traditional German methodology), even through the use of the Structural Funds derogation (which it permitted, and even encouraged, elsewhere). In the United Kingdom, DG Competition opposition to the initial proposals resulted in a major reworking of the statistical analyses to increase the ‘compactness’ of the map, involving a transfer of around 1 million people between the original and the amended maps.

A more qualitative indicator of Europeanization may be gleaned from policymaker perceptions. For some countries, the process of agreeing an aid area map with the Commission seems to have been regarded as tiresome, rather than troublesome; for example, in Austria and France, policymakers characterised the negotiations as long, rather than difficult. In neither country were significant changes ultimately required. By contrast, in Germany, the changes imposed by the Commission were regarded as a serious interference in domestic policy. Similarly, in the United Kingdom, the original map was considered to be a successful attempt to combine the Commission guidelines with the labour market aims of UK regional policy, while the revised map was viewed as a substantial compromise of national regional policy objectives.

Some measure of Europeanization may also be established by considering to what extent the Commission’s priorities were met. Clearly, there was a high level of compliance regarding timing and coverage but, with respect to area designation methodologies, the picture is more nuanced. Moreover, there is widespread evidence of Member States exploiting the Structural Funds derogation to gain approval for national priority areas which did not meet the guideline requirements on uniform geographical units. This in turn raises the question of “whose Europeanization is it anyway”? DG Regio had given a high priority to the ‘coherence’ of assisted areas – in this instance meaning that Structural Funds areas should also be eligible for national regional aid; in contrast, DG Competition never viewed this as an important objective. The compromise Structural Funds derogation came to be used by Member States for national rather than European ends; Member States designated areas for Structural Funds purposes just so that they could be included in the domestic regional aid map.

A complication in measuring Europeanization is the degree of discretion exercised by the Commission. Some negotiations forced Member States to change their proposals to fit the guidelines and compromised national preferences - as in the UK and Germany. In others, the emphasis was on finding ways of accommodating proposals within the guidelines, especially through the Structural Funds derogation – as in Finland, France and Spain; however, use of the derogation was explicitly denied to Germany. The uneven application of the guidelines partly explains the differing timescales for decision-making,

with potentially controversial precedents being held back. More pertinent, the measurement of Europeanization is clearly more complex in circumstances where European constraints are not imposed uniformly.

7. CONCLUSIONS

This paper has examined the application of the 1998 regional aid guidelines to gain comparative insights into how and to what extent Europeanization has taken place and can be measured. It has also considered the degree to which the adaptational pressures which Member States experience can be measured in practice and the relevance of goodness-of-fit to predicting adaptational responses.

The analysis has established that goodness-of-fit propositions provide relatively poor predictive capacity with respect to adaptation responses. Further aspects which need to be taken into account include: the significance of the policy area for the Member State; Member State expectations regarding the new policy; the level of understanding of Commission requirements; the clarity of policy objectives; and the fit with overarching domestic policy priorities.

This paper has shown that a number of well-established techniques can help address the challenge of measuring causality in empirical research. These include bottom-up research designs, process tracing, counterfactual reasoning and the use of more systematic comparative methods. Nevertheless, an over-emphasis of those aspects of policy that are susceptible to measurement runs the risk of bogus precision.

The reality is that the policy environment is neither static nor uniform. The 1998 regional aid guidelines did not emerge from a vacuum but rather have evolved since the 1970s: each EU enlargement has affected the regional aid policies of the acceding countries; as important, each enlargement has altered EU regional aid control policy. The guidelines are therefore a *landmark* in an ongoing process, rather than an endpoint against which final outcomes can be measured. Moreover, the substantive results confirm the role of bottom-up processes in shaping outcomes (Méndez, Wishlade and Yuill 2006). Of key importance, a thorough analysis of the process demonstrates not only that application of the guidelines by DG Competition was uneven on key issues, but also that DG Regio objectives were partially subverted, raising wider issues about the ‘ownership’ of Europeanization.

These characteristics make the measurement of Europeanization akin to the pursuit of a mobile and metamorphosing target. The measurement of Europeanization can be facilitated by adopting a comparative assessment of impacts and outcomes, the use of a clear policy initiative that impacts on all Member States simultaneously and a detailed knowledge of the *ex ante* and *ex post* situation in each Member State. However, perhaps perversely, such a comprehensive and forensic approach also reveals the limitations of essentially reductionist methods of measuring policy change. A qualitative understanding of the complexities and dynamics of policy, and of the wider context, is an indispensable complement to quantitative approaches; policy researchers ignore this at their peril.

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