Sieps
Swedish Institute for European Policy Studies

European Policy Analysis
DECEMBER · ISSUE 13-2009

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Out in the Cold? Flexible Integration and the Political Status of Euro-Outsiders

Abstract
Flexible integration is sometimes proposed as a solution to the increased preference heterogeneity in the enlarged European Union. A common argument against the feasibility of such arrangements, however, is that a likely consequence for those opting out of the enhanced cooperation is a loss of status and influence generally in the EU. It has been argued, for example, that the decisions by Denmark, Sweden and the UK not to join the Euro is considered as free-riding - a norm violation - by the Euro-countries, which in turn leads to bad reputation and exclusion from informal networks. If flexible integration creates such externalities it is less likely to be practiced even under favourable conditions.

We test the proposed free-rider effect by comparing the network capital of Euro-outsiders with insiders in the Council of the EU. Network capital measures the strength of the set of potential cooperation partners that a member state has access to during the negotiation processes. We use survey data of more than 600 member state representatives, collected both before and after the enlargements in 2004 and 2007. The findings speak strongly against the free-rider hypothesis. The Euro-outsiders are highly ranked in terms of network capital, both at an aggregate level and within economic policy. This means, we believe, that at least one argument against flexible integration can be refuted.

1. Introduction

The European Union has grown continuously since its beginning in the form of the Coal and Steel Community in the early 1950s. As the number of member states has increased from six to twenty-seven, and the policy competences of the organisation have broadened and deepened – from regulating the trade and production of coal and steel to setting the regulatory framework for the entire European common market, including positive integration even in policy areas close to the core of state sovereignty – the preference heterogeneity of the members has increased as well. One, albeit contested, way of managing the increasing diversity is flexible integration. Flexible integration may come in different forms, but the basic idea is that some member states that are willing and able to cooperate further within a selected policy area do so, whereas other member states remain outside the cooperative venture in that particular field.

From a rational and functional perspective it may be an efficient solution to the problem of preference heterogeneity, making it possible to take advantage of potential gains of cooperation, while at the same time avoiding forcing member

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states with outlier positions into costly compromises (Alesina et al. 2005; Warleigh 2002). But uneven paces of integration may also give rise to externalities in the form of effects on the decision-making processes of the EU. One such externality concerns the effect on power relationships and coalition-building between the member states. Many observers warn that groups of 'ins' and 'outs' may be created, leading to a fragmentation of the community into core and periphery (de Witte 2002:246). An oft-stated argument against flexible integration is that those who opt out of important policy fields will lose influence generally in the EU. Warleigh, for example, argues that although flexible integration is inherently positive as 'it allows member governments to integrate as they wish' it does incur costs for the member states who opt out: 'A government consigning itself to the outer rings of the concentric circles is unlikely to wield the same power in the EU as one at the heart of each policy' (Warleigh 2002:108). In a similar vein, summarising the literature on flexible integration in the EU, Adler-Nissen concludes that 'existing research argues that when a state opts out of a major policy area of the EU, it is automatically out in the cold'. Opting out implies a 'self-imposed marginalisation', according to this view (Adler-Nissen 2008:667).

If opting out is indeed associated with high costs for individual member states, in terms of loss of power and influence generally in the EU, the incentives to opt out decrease. The result may be suboptimal for the EU as a whole, as flexible integration may be practised to a lesser extent than what is desirable considering the preference set of the member states.

In this paper we scrutinise the argument that taking advantage of opportunities for flexible integration by opting out of deeper cooperation in some policy fields leads to high costs for member states in terms of loss of influence in all policy fields. We argue that this proposition is based on an assumption of the Council of the EU, the main legislative institution of the EU, as a strongly ideological and normative environment, which finds little support in previous research. The argument assumes that opting out is considered a violation of community norms, which stigmatises the outsiders, making them less attractive as cooperation partners. We also present an empirical study of network capital – the strength of informal network ties which member states have access to during the negotiation processes – in the Council of the EU, testing whether opting out of the Euro has left Denmark, Sweden and the UK out in the cold.

2. The free-rider hypothesis

The most important example of voluntary flexible integration so far in the EU is probably the decisions by Denmark, Sweden and the UK not to join the single currency. The UK and Denmark decided on their position in the early 1990s, and negotiated formal opt-out clauses. Sweden made a unilateral decision in 1997 not to participate, which was subsequently confirmed in a referendum in 2003. Denmark also had a referendum in 2000, where a majority voted no to joining the Euro.

A common argument in the political debates on whether or not to join the Euro in these countries has been the potential loss of influence in the decision-making of the EU generally, as a consequence of the self-imposed outsider status. For example, the Swedish deputy finance minister at the time, Gunnar Lund, stated during the referendum campaign in 2003 'I can guarantee that a decision to say no to the EMU means that Sweden will lose influence in economic policy, in agricultural policy, in environmental policy and in all the other policy fields'.[1] The same argument has been repeated in the Danish and British debates. In Sweden, support for this argument was given by the special government commission that was set up in 1996 to evaluate possible economic and political consequences of Sweden joining the Euro. The main political reason in favour of joining the Euro, according to the commission, was the risk of losing out as a Euro-outsider in the informal negotiations. In one of the reports to the commission the political scientists Magnus Jerneck and Jan-Erik Gidlund developed the causal mechanism behind the argument. Opting out would portray Sweden as a free-rider on the European integration process, picking the parts it liked and leaving the hard work to the others. It would be a breach of the norm of European solidarity which would backfire on Swedish interests as Sweden would have difficulties finding cooperation partners: 'The ability to form effective alliances is a direct function of a documented will to cooperate and embrace mutual commitments. … [Saying no to the Euro] will have far reaching consequences for Sweden's credibility as a member of the European Union' (Jerneck & Gidlund 1996:5f).

The free-rider hypothesis is also supported by some of the academic literature. Adler-Nissen describes the choice of opting out as an 'integration dilemma'. The autonomy won by not being bound by common rules in a specific policy field will have a price in terms of loss of influence. This is true not only in respect of the particular field to which the

[1] Speech at the Swedish Network for European Studies Annual Conference, Gothenburg, March 2003.

opt-out refers, where the state which is opting out does not participate formally in the decision-making, but also spills over to other policy fields. The mechanism is assumed to be the same as that given by Jerneck & Gidlund: 'The UK and Denmark are marginalised, not because they cannot vote, but rather because opt-outs are seen as inappropriate and giving the state a bad image' (Adler-Nissen 2008:667).

The free-rider effect thus assumes a strong and coherent normative environment in the Council of the EU: norm violations within one policy area will also be punished with fewer opportunities for informal cooperation in other fields. Furthermore, it assumes that opting out of core policy areas, such as monetary policy, is a sufficiently strong norm violation to activate such reaction by insiders.

3. Previous research

Apart from the study by Adler-Nissen, which is based on qualitative interviews with British and Danish diplomats, there is little systematic empirical work focusing on the political costs of opting out. In particular, the reactions of the insiders towards the opt-outs are missing in the literature. In this section, we survey the research on the Council of the EU, to look for support for the assumption of the free-rider hypothesis of a strongly normative environment where actors may be sensitive to opt-outs.

Could socialisation towards a European identity among the permanent representatives living and acting in Brussels be a source of norms which may trigger negative reactions towards Euro-outsiders? One can believe that opting out with reference to strong national preferences may well be considered a break of 'the club rules' for strongly Europeanised Brussels actors. There are, however, few signs of such a strong 'European club' feeling in the present research on the Council. The socialisation literature indicates that although long exposure to the Brussels environment may create double loyalties, national socialisation experiences are by far the most important. Summarising a range of studies of socialisation of elite actors in the EU, Zurn & Checkel conclude that effects of 'Brussels socialization' on attitudes and loyalties are 'often weak and secondary to dynamics at the national level' (2005:1047). This is so particularly for actors in the Council of the EU, who are described as mainly "intergovernmental" in their attitudes (Egeberg et al. 2003).

Even though socialisation into European loyalties and attitudes is relatively weak it does not mean, however, that norms are unimportant in the Council. Both qualitative and quantitative research has pointed to the existence of a strong consensus norm in the Council (Lewis 1998; Heisenberg 2005). Even on issues where qualified majority voting is a possibility according to the treaties, member states usually agree to compromise and refrain from signalling their discontent via a vote (Hayes-Renshaw et al. 2006). The 'compromise model', an approximation of the Nash bargaining solution, has proven to predict well the outcomes of the Council negotiations in competitive tests of different procedural and bargaining models (Thomson 2006). Both qualitative and quantitative interviews with permanent representatives in Brussels give a picture of Council negotiations as cooperative and directed towards consensus or compromise, rather than dominated by distributive bargaining (Naurin forthcoming; Lewis 1998). Although there is disagreement in the literature concerning whether the observed consensus habit can be best explained by reference to norms or rational interests (Aus 2008; König & Junge 2008), the presence of such consensus behaviour in the Council is well documented. Could opting out of important policy areas be considered a breach of the consensus norm?

In our view, this is a less reasonable interpretation of the consensus norm. The consensus norm described in the Council literature is not about long-term ideological attitudes concerning the end goal of European integration, which may be considered threatened by the opt-outs. Rather, the consensus-seeking habit concerns day-to-day policymaking. It is about getting things done, and finding common ground and acceptable solutions to concrete problems, often in the face of overarching ideological disagreement. The fact that member states disagree on long-term goals, such as the level of integration in certain policy fields, is why the consensus norm is valuable for managing everyday decision-making. Violating the consensus norm, as we interpret it from the literature, is not about opting out of certain policy fields, but about blocking compromises in those fields in which one is active.

The theoretical basis for the free-rider hypothesis, therefore, seems to be rather weak. But what about the output: is there any evidence in the research that the Euro-outsiders are generally less influential than insiders in the Council? There are studies of bargaining success in the Council. These studies use quantified measures of policy positions, comparing them with the decision outcomes on a range of issues. Bargaining success is defined as the difference between an actor's preferred policy position and the resulting policy outcome. One criticism of this research design is that bargaining success may in fact be an effect of having centrist positions. Still, it is interesting to note that the 'champions of opt-outs', Denmark and the UK, and also the third euro-outsider Sweden, although there is some variation between the different studies, seem to be doing at least equally well in terms of bargaining success compared with insiders of similar size (Arregui & Thomson 2009:668; Bailer 2004:108; cf. Selck & Kuipers 2005; Selck & Kaeding 2004).

Bailer has also conducted a small survey asking twelve experienced Brussels negotiators to evaluate the power capabilities of the member states of EU15. The UK was ranked the highest of all member states, and Denmark and Sweden were equally or more highly ranked than comparable insiders such as Ireland, Finland and Austria (Bailer 2004:108).

In sum, the assumptions backing up the free-rider hypothesis that opting out violates important Council norms seem to find little support in the previous research. Comparing positions with outcomes we find no evidence that the Euro-outsiders would be significantly less successful in influencing EU policy. Studies of bargaining success are methodologically fragile, however, and tell us little about the process from which the outcome was derived. The lack of influence according to the free-rider hypothesis is assumed to come from a loss of informal network ties. In the next section we describe our research design for testing this hypothesis empirically.

4. Research design

How have the decisions of Denmark, Sweden and the UK not to 'join the club' in one of the most important policy areas in the EU – monetary policy and the common currency – affected the status of the three countries in the informal networking in the Council of the EU? Have they triggered a free-rider effect making these member states less attractive as cooperation partners, and therefore less influential?

We will compare the network capital of the three voluntary Euro-outsiders with that of comparable insiders, in particular those of similar size and similar years of EU membership. By network capital we mean the set of potential cooperation partners that an actor has access to for gaining and spreading information and building coalitions during the negotiation process. Being able to control the informal flow of information is important for exercising influence in any multilateral negotiations (cf. Muthoo 2000).

The network capital of Denmark will be compared in particular with the Euro-insiders Ireland and Finland. Ireland joined the EU in the same year as Denmark (1973) and has an equal amount of votes in the Council. Finland also has an equal amount of votes, although it joined later (1995). Sweden will be compared primarily with Austria. Both countries joined in 1995 and have the same number of votes. The UK will be compared with the other three big Euro-insiders, France, Germany and Italy.

4.1 The data

The empirical analysis is based on survey data with representatives from all member states in eleven Council working groups within a broad range of policy areas. Three surveys have been conducted – in 2003, 2006 and 2009 – thus including data both before and after the enlargements in 2004 and 2007. The year 2003 is the most likely case for the free-rider hypothesis. After the inclusion of ten new member states in 2004 – all of which were (initially) Euro-outsiders – being a Euro-outsider is likely to be less of an issue overall than it was in 2003. Gradually, however, the number of Euro-insiders is growing. In 2009, four of the new member states (Cyprus, Malta, Slovenia and Slovakia) had already joined the Euro.

Both higher (including COREPER) and lower-level working groups and committees were included in the sample. The policy areas include economic policy, internal market issues, justice and home affairs, agriculture, foreign and security policy and environmental policy.[2] The interviews were conducted by telephone. The selected interviewees were first approached with a letter, which explained broadly the purpose of the project and the types of questions addressed by the project. Some questions were not entirely revealed in the letter since we were seeking spontaneous rather than prepared answers in those cases. In particular this applies to the central question about which member states the respondents cooperate with most often. With a few exceptions the interviews were conducted in English. The response rates have been high: 81 per cent in 2003, 84 per cent in 2006, 86 per cent in 2009. In total, 618 member state representatives have been interviewed; 130 in 2003, 231 in 2006 and 257 in 2009.

The following question was asked in the interview: *Which member states do you most often cooperate with within your working group, in order to develop a common position?* The respondents were only asked to mention the member states they cooperate with most often, not to give points or rank them in any way. Depending on the order in which they spontaneously mentioned their most frequent cooperation partners, we transformed their answers into figures, by the following formula:

[2] The higher level working groups included are: Coreper II and Coreper I (the ambassadors and the vice-ambassadors of the member states' permanent representations in Brussels), the Economic Policy Committee, the Special Committee on Agriculture, the Committee on Enlargement (2003 only) the Political and Security Committee and the Article 36 Committee (the latter dealing with judicial cooperation in the field of criminal matters, police cooperation, organised crime and terrorism, included in 2006 and 2009 only). When a Coreper II or Coreper I ambassador was not available, their assistants were interviewed (who in EU-jargon are called the Antici- and Mertens-delegates respectively). The lower level working groups are: the Politico-Military Working Party, the Working Party on Mashrek-Maghreb (2003 only), the Working Party on Agricultural Questions, the Working Party on the Environment, the Working Party on Tax Questions and the Working Party on Competition and Growth (2006 and 2009 only).

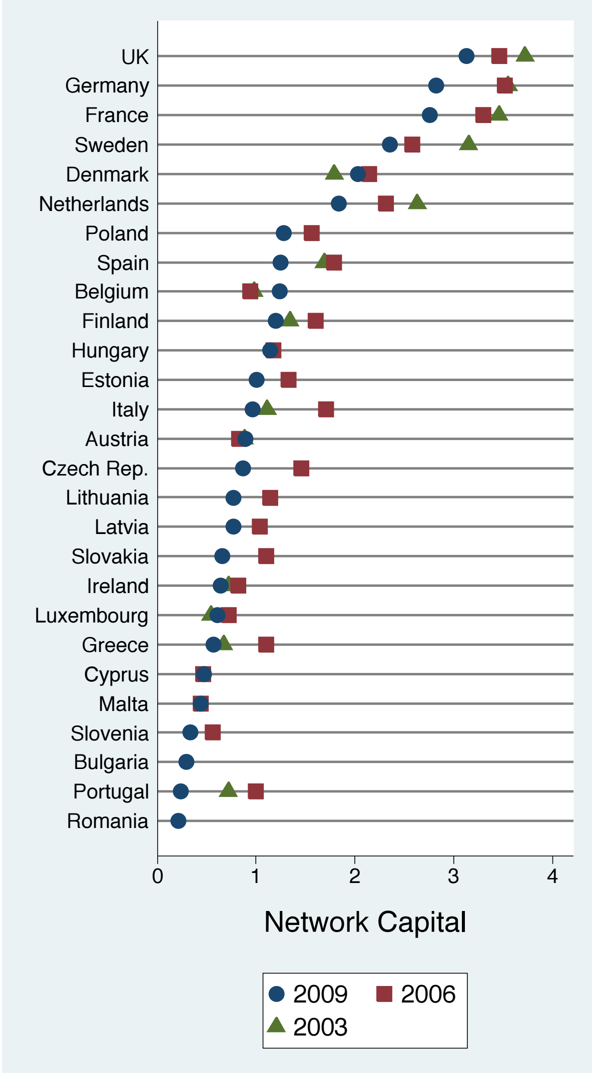
1st mentioned = 10 points
2nd mentioned = 9 points
etc…
10 mentioned = 1 point
< 10th = 0 points

the idea being that the countries that they cooperate with most often are the ones which come first to their minds.[3] Usually the respondents mentioned two to five member states (average 2.6 in 2003, 4.8 in 2006, 3.8 in 2009). The analysis of the distribution of network capital is based on the points received in this way by the member states.

The network capital of a member state is calculated as the average point given to this member state by all the other member states' representatives. The more often a member state is mentioned as a co-operation partner the higher its network capital. This conception of network capital corresponds to the in-degree centrality measure in social network theory, which we find to be a straightforward and intuitively reasonable operationalisation of network power (cf. Scott 2000:69; Hafner-Burton et al. 2009:570f): The more potential partners an actor has access to the better their opportunities for controlling the flow of information, resources and coalition-building within the group. It can be argued, however, that cooperating closely with more powerful states is more important from the perspective of exercising influence over decisions. Therefore, we will analyse both an unweighted network capital index, where no account is taken of who the cooperation partners are, and a weighted index, based on the voting power of one's cooperation partners.

Finally, we also analyse one direct question, which was included in the 2003 survey, concerning whether the respondents believe that the fact that some countries have chosen not to join the Euro affects the cooperation patterns within their working group.

Figure 1 Network capital in 2003, 2006 and 2009



Note: Based on the survey question: *Which member states do you most often cooperate with within your working group in order to develop a common position?* N = 130 in 2003, 231 in 2006 and 257 in 2009.

5. Findings

5.1 Network capital

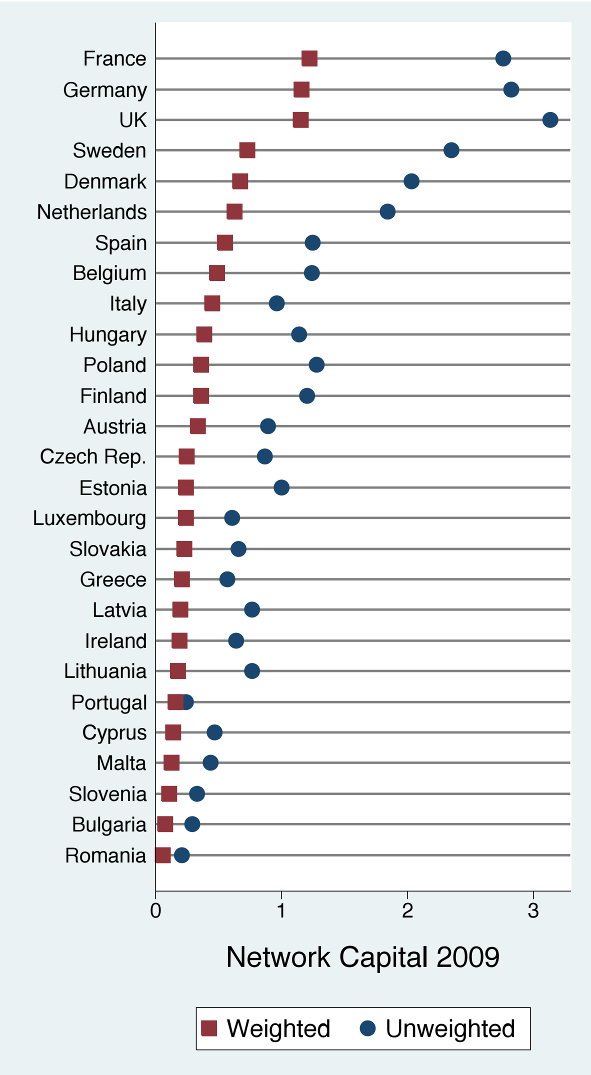
Figure 1 shows the network capital figures for all the member states in 2003, 2006 and 2009.

The three voluntary Euro-outsiders are in fact doing remarkably well. Sweden is fourth on the list in all three years, with Denmark close behind. The most similar insiders, and therefore those most suitable as comparable cases (Austria, Ireland and Finland), are all found further down the list in all three years. The UK, on the other hand, is at the top of the list, along with Germany and France. Italy, with the same number of votes in the Council as the top three, has a significantly lower stock of network capital.

What if we consider also the power of one's cooperation partners? We have used the standardised Banzhaf voting power index, based on the formal voting weights in the Coun-

[3] We have also tested some alternative ways of calculating - giving weighted points to the six first countries, the three first, or giving just one point to all countries mentioned - the result, with respect to the network capital index, being more or less the same.

Figure 2 Comparing weighted and unweighted network capital



Note: N = 257. Banzhaf Voting Power Index scores used to weigh the respondents for the weighted index.

cil, to weigh the points given by one member state representative to another.[4] To illustrate, it means that being mentioned by a German respondent in 2009 (with the Nice Treaty voting rules) weighs about six times as much as being mentioned by a representative from Luxembourg.

Figure 2 compares the original (unweighted) network capital index with the weighted index for 2009. The UK changes places with France, indicating that the latter has somewhat more powerful friends in terms of voting power (in particular Italy and Spain), but the difference between the two countries is small and statistically insignificant in a T-test. Sweden and Denmark also keep their high positions on the list for the weighted network capital. In sum, it seems that the three self-appointed Euro-outsiders have little difficulty finding cooperation partners, and also powerful ones, during the Council negotiations.

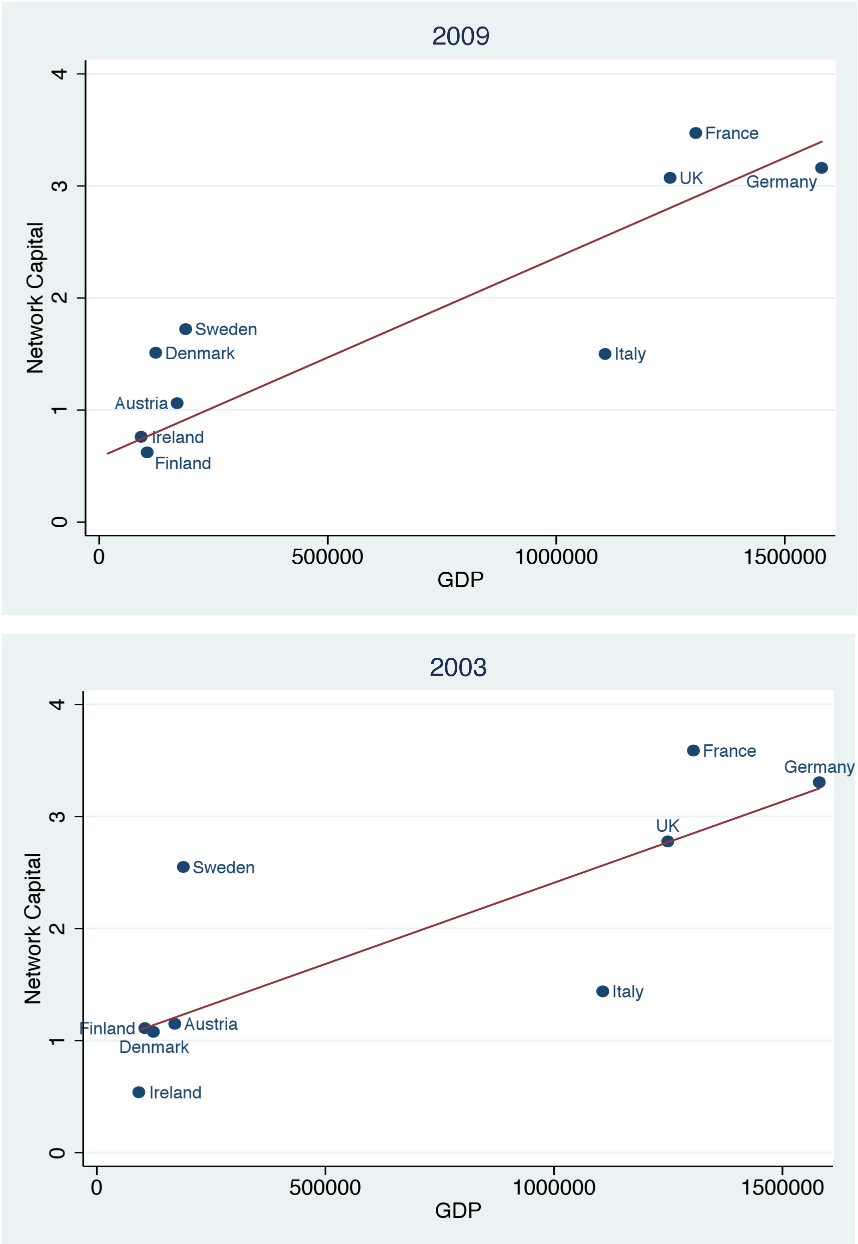
The free-rider hypothesis, however, only concerns the Euro-insiders' choices of cooperation partners. It is the insiders who, according to the hypothesis, are less eager to cooperate with the opt-outs, owing to their assumed norm-violating decision not to join the Euro. Therefore, we should look not only at the total stock of network capital that the member states have, as shown in Figures 1 and 2, where the Euro-outsiders' answers are included, but also at the answers given by the Euro-insiders alone. This further sharpens the test of the free-rider hypothesis, since we know from previous research that Sweden, Denmark and the UK are not only Euro-outsiders but also close cooperation partners in the EU. Studies of coalition building in the Council have demonstrated clear geographical patterns, and Sweden, Denmark and the UK are part of the Northern group (Mattila 2004; Thomson et al. 2004; Naurin & Lindahl 2008; Thomson 2009). If, therefore, we find reasonable levels of network capital for the three Euro-outsiders even when some of their closest allies are taken out of the analysis, this would further weaken the free-rider hypothesis.

Figure 3 compares the network capital of the UK, Sweden and Denmark with the comparable insiders; France, Germany and Italy, on the one hand, and Austria, Finland and Ireland, on the other hand. The first plot shows the 2009 data, whereas the second plot shows the same analysis of the data from 2003. The X-axis refers to economic size, which is strongly correlated with network capital. The 2003 data are the most critical (easy) test of the free-rider hypothesis, as it is before the enlargement with ten new Euro-outsiders.

The figure shows clearly that when we look only at the Euro-insiders' responses the supposed norm-breaking outsiders are competing well with the insiders in terms of network capital. In 2009 the UK is on a par with Germany, slightly behind France and far above Italy. In 2003 the UK is somewhat more behind France and Germany, when only the Euro-insiders' voices are heard, but only slightly so, and again it is clearly in front of Italy. T-tests show that the only

[4] The Banzhaf index scores were calculated with Powerslave Mark II v0.9, a software program made available by Antti Pajala at the voting Power and Power Index Website (http://powerslave.val.utu.fi/index.html).

Figure 3 Comparing network capital given by Euro-insiders



Note: The data set includes the answers from the Euro-insiders only.

differences between the UK and the other three big countries that are statistically significant at the 95 per cent level in all three years are those between the UK and Italy, to the UK's advantage.

In 2009, Denmark has more network capital, among the Euro-insiders as well, than Finland and Ireland. In 2003, Finland and Denmark are at a similar level, whereas Ireland is lagging behind. Most striking, however, is the Swedish position, which is also extraordinarily high when only the Euro-countries' respondents are included. In 2003, which should be the easiest example of the free-rider effect, Sweden had more than double the amount of network capital compared with Austria. This is remarkable, considering that two of Sweden's closest allies – Denmark and the UK – are excluded from the analysis.[5] T-tests show that all the differences between Sweden and Austria, on the one hand, and between Denmark and Finland, and Denmark and Ireland, on the other hand, in 2003, 2006 and 2009, are statistically significant, except that between Denmark and Finland in 2003. Denmark and Sweden have consistently more network capital even among the Euro-insiders than the comparable cases of Austria, Finland and Ireland.

The Euro-outsiders do not seem to be out in the cold in terms of network capital – weighted or unweighted – at an aggregate level in the Council working groups. But what if we look more specifically at economic policy? If there is any free-rider effect, one could argue, it should be found most clearly among those permanent representatives who are working with economic policy issues. Figure 4 compares the answers given by the Euro-insiders in the Economic Policy Committee with those of the other working groups. To increase the number of respondents in the economic policy category we include the responses from all three surveys in this analysis, which means that we are only looking at those fifteen countries that have been members from before 2003. Only the Euro-insiders' responses are included to facilitate the free-rider effect.

The main picture in Figure 4 is that of overall stability in terms of the indexes. Analysis of variance indicates that the differences in network capital between the Economic Policy Committee and the other working groups are statistically significant (at the 95 per cent level) for only two countries – Denmark and the UK. Quite contrary to what would be expected by the free-rider hypothesis, however, these two Euro opt-outs have significantly more network capital in the Economic Policy Committee compared with other policy areas. Rather than being upset by the 'free-riders', those representatives from the Euro-countries, who in the sample are working closest to the monetary policy field, are even more inclined to cooperate with Denmark and the UK than their colleagues in other policy fields.

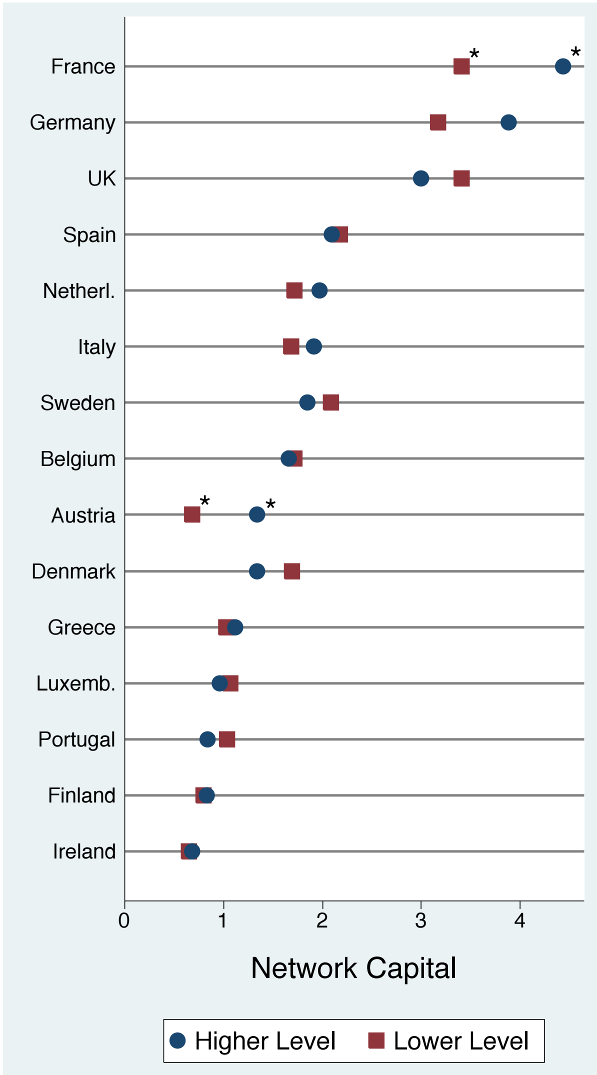
Finally, we have also tested whether there is a difference in the Euro-outsiders' stock of network capital depending on the Council hierarchy level. It is not explicitly assumed by the free-rider hypothesis that there would be a difference, but it is reasonable to expect that political and ideological considerations are more pertinent higher up in the hierarchy

Figure 4 Comparing network capital within economic policy with other policy areas

Note: The data set includes the answers from the Euro-insiders only. It includes 35 respondents from the Economic Policy Committee, and 325 respondents in the other working groups, both from 2003, 2006 and 2009. Analysis of variance (Anova with Bonferroni post-hoc test) has been carried out to detect significant variations between the groups: *$p < 0.05$.

[5] In 2003, all the interviews were conducted from Gothenburg (Sweden), and the project was described as being conducted by the Centre for European Research at Gothenburg University. In the second survey in 2006, in order to test for potential interviewer effects on Sweden's position, one-third of the interviews were conducted from the Robert Schuman Centre for Advanced Studies at the European University Institute in Florence, Italy. The remaining two-thirds of the interviews were conducted from Gothenburg. No interviewer-effect giving rise to biased results was detected. In fact, Sweden came out slightly better as an often mentioned cooperation partner in the Florence interviews compared with the Gothenburg interviews.

Figure 5 Comparing network capital between Council hierarchy levels



Note: The data set includes the answers from the Euro-insiders only. The higher level groups include 193 respondents, the lower level groups 167, both from 2003, 2006 and 2009. Analysis of variance (Anova with Bonferroni post-hoc test) has been carried out to detect significant variations between the groups: *$p < 0.05$.

(cf. Häge 2008). Figure 5 therefore compares the levels of network capital in Coreper and the other higher-level committees with those in the lower-level working groups. Again, only the Euro-insiders' answers are included to sharpen the test.

Overall, it can be seen that the two indexes do not differ much. All three Euro-outsiders have slightly less network capital higher up in the Council hierarchy compared with the lower-level groups, but the differences are not statistically significant. Council hierarchy level thus does not seem to be an interacting factor triggering a free-rider effect. Only for two countries can we say with certainty that their stocks of network capital differ depending on the Council hierarchy level: Austria and France both have more network capital in the higher-level committees than they have in the lower-level working groups.

5.2 Subjective evaluation of the effect of the opt-outs

In 2003 – the easiest case for the free-rider hypothesis – the survey also included a direct question on the effect of the Euro opt-outs. This question was asked at the end of the interview, so that the respondents would not be cued to think about the opt-outs when answering the question concerning cooperation partners. The direct question read: 'Some member states – Sweden, Denmark and the UK – do not participate in the third phase of the Economic and Monetary Union. Do you think this fact in any way affects the cooperation patterns within your policy field?' This was an open question and we received three types of answer: 'Yes, it matters', 'no, it does not matter' and 'yes, but…'.

Table 1 demonstrates that an overwhelming majority of the respondents indicated that the fact that the UK, Denmark and Sweden had not joined the Euro did not in any way affect the cooperation patterns within their field.

Altogether 102 out of 129 respondents (79 per cent) answered that EMU-outsider status did not make any difference to the cooperation patterns within their policy field. Only nine respondents (7 per cent) answered yes with no qualification, four respondents (3 per cent) said it mattered marginally, whereas fourteen respondents (11 per cent) indicated that it did have some consequences for issues concerning economic and monetary policy. Although not shown in the table the result is basically the same when only the Euro-insiders are included (81 per cent say 'no difference'). There is also no difference between big and small states, or between Northern and Southern member states.

Looking specifically at the Economic Policy Committee in the first column, however, we see that being outside f the Euro does affect the cooperation patterns within this committee. Only three of the ten respondents in the sample (five

Table 1 Does Euro-outsider status affect cooperation patterns?

Answer	Economic Policy Committee	Other working groups	All
Yes, it matters	2	7	9
Yes, but only on Euro-related issues	5	3	8
Yes, but only on issues concerning economic policy	0	6	6
Yes, but only marginally	0	4	4
No, it makes no difference	3	99	102
N	10	119	129

Note: Data from 2003. The question read: *Some member states – Sweden, Denmark and the UK – do not participate in the third phase of the Economic and Monetary Union. Do you think this fact in any way affects the cooperation patterns within your policy field?*

interviews were missing) say that it makes no difference. Five of the remaining seven respondents qualify their answer by pointing out that it only matters in Euro-related issues.

The answers from the Economic Policy Committee make sense. It would be strange if Euro-outsider status did not come into play at all when issues that relate to the Euro are dealt with. This need not be a question of the Euro-outsiders being punished for norm violation, however, but rather a consequence of practical reasons having to do with the management of the concrete issues. As Figure 4 demonstrated clearly, the Euro-outsiders are also among the most popular cooperation partners with the Euro-insiders on the Economic Policy Committee.

6. Conclusion

We have tested the common proposition that flexible integration imposes significant costs on those member states that opt out of further integration within specific policy fields. We have argued that the assumption of the free-rider hypothesis – that opting-out is a norm violation that will be punished by decreasing access to informal networks – is weakly underpinned by previous research. Furthermore, our own data on network capital in the working groups and committees of the Council of the EU indicate that the Euro-outsiders are in fact doing well in the informal networking in the Council. They are mentioned at least as often as cooperation partners as are member states of similar size, also by the Euro-insiders' respondents. Subjective evaluations of negotiators at the permanent representations in Brussels also indicate that Euro-outsider status has limited, if any, consequences for cooperation patterns. The exception is concrete Euro-related issues, but that is unlikely to have anything to do with the Euro-outsiders being politically stigmatised as a result of their decision to opt out.

In sum, we believe we have provided reason to question the free-rider hypothesis seriously. If there is such an effect at all, the network capital figures of Denmark, Sweden and the UK indicate that it is small enough to be easily compensated for by other virtues of the outsiders. Why the Euro-outsiders – in particular Denmark and Sweden - are doing so well in terms of network capital is a question outside the scope of this article. Along with the Netherlands, the two Scandinavian countries are over-performing in the network capital index compared to their size. Italy, Portugal and some other countries, on the other hand, are less well connected than expected considering their voting power. The present study has not been designed to explain the variation in the levels of network capital. However, one possible contributing factor that should be tested in future research is inter-personal trust, which is known to be a valuable asset in networking (Knack and Keefer 1997). Denmark, the Netherlands and Sweden are all high-trusting countries.

Our findings indicate that flexible integration may be a more realistic solution for dealing with intensified preference heterogeneity in the EU than previously anticipated. This should be important information, both for member states considering whether to opt out of certain policy areas within the EU, and for the EU as a whole. Any decision to move on with enhanced cooperation within a certain policy field will depend on a number of different arguments of functional (such as what are the economic effects?) and normative (such as what kind of European Union do we want?) nature. Lack of influence for those who choose to opt out - as an effect of stigmatisation - need not weigh as heavily in such calculations as has previously been the case.

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