

Your Place or Mine? Institutional Attractiveness of the Eurogroup and ECOFIN during the COVID-19 crisis

Alexander Schilin, Leiden University & University of Victoria

Abstract

Multiple studies have highlighted the dominant role of deliberation and consensus-building as modes of EU crisis governance. Yet, few scholars have studied the institutional changes within the Council accommodating this long-term trend. During the COVID-19 crisis, EU Finance Ministers gathered in the inclusive format of the Eurogroup rather than the standard ECOFIN format. The outlined paper introduces the concept of institutional attractiveness to enhance our understanding of this institutional choice. It argues that member state representatives select the institutional environments according to their capacity to facilitate deliberation and consensus building. In their institutional choices, representatives consider the criteria of insulation, informality and reliability. During the COVID-19 crisis, the Eurogroup had a high institutional attractiveness due to its permanent presidency. Engaging in highly controversial negotiations about fiscal solidarity, ministers chose the Eurogroup because they could refer to long-term experiences with the presidency and its ability to host negotiations in formats of insulated and informal exchange. While further theorisation and empirical insights are necessary, the concept of institutional attractiveness can enhance our understanding of institutional shifts in the Council in the context of crises.

This document outlines a very early idea for a research paper. It requires significant changes and more work on theoretical and empirical aspects. All comments and suggestions are highly appreciated. Please do not share or circulate this document without the author's permission.

Research Puzzle and Research Question

During the COVID-19 crisis, all EU member states were involved in the search for a fiscal response to the economic implications of the pandemic. After the first intergovernmental debates observers of EU politics experienced a *déjà vu* (Schmidt, 2020). Euro area member states (EAMS) got consumed in well-known disputes about debt mutualisation (Coronabonds) and fiscal responsibility. Yet, this time EU leaders were committed to designing a united policy for all EU member states. In contrast to the sovereign debt crisis, the outbreak of COVID-19 was considered an exogenous shock which hit Europe without anyone's fault. Therefore, all EU member states felt responsible for showing fiscal solidarity to the countries strongly affected by the virus. Correspondingly, member states inside and outside the euro area were equally involved in the intergovernmental debate. Especially, Denmark and Sweden vehemently opposed grant-based mechanisms of fiscal solidarity. Eventually, EU member states found a united approach. NextGenerationEU (NGEU) is an EU-wide instrument deepening integration in the fiscal dimension of Economic and Monetary Union (EMU) (Fabbrini, 2022).

Yet, despite the ambition of finding an EU-wide response to the economic implications of the pandemic, on the minister level, the main negotiations took place in a venue designed for hosting exclusive meetings among EAMS representatives, i.e. the Eurogroup. Usually, the EU Finance Minister are supposed to meet in the Economic and Fiscal Configuration of the Council (ECOFIN). Yet, during the COVID-19 crisis, EU Finance ministers gathered in the inclusive format of the Eurogroup rather than ECOFIN. Between March and July 2020, the EU Finance Ministers met every two weeks in the inclusive format of the Eurogroup. The outcomes of these meetings had significant implications. For example, the report on which ministers agreed during the inclusive Eurogroup meeting on 7-9 April (Eurogroup, 2020) prepared the ground for the Commission's proposal to finance fiscal support through the EU budget. In correspondence to the high importance of the Eurogroup during the COVID-19 crisis, Mario Centeno became a

key figure within the interinstitutional negotiations. In his function as Eurogroup president, he attended multiple meetings between the presidents of the European Council and the Commission representing the joint position of all EU Finance Ministers. In contrast, the Croatian Finance Minister, Zdravko Marić, who served as the ECOFIN chair in the context of the rotating Council presidency, hardly played a role in the negotiations. What motivated EU Finance Minister to meet in the inclusive format of the Eurogroup instead of the equivalent ECOFIN format despite the EU-wide character of the COVID-19 crisis? To study this question, the outlined paper will theorise and test the concept of institutional attractiveness. Thus, it aims to enhance our understanding of the institutional implications of cooperative bargaining styles in the Council, particularly during crises.

Theoretical argument

Multiple qualitative studies have demonstrated that member state representatives strive for deliberation and consensus-building in Council negotiations (e.g. Aus, 2008; Juncos & Reynolds, 2007; Lewis, 2005). Rather than pursuing national interests through measures of hard bargaining such as majority seeking or blocking, they aim for a cooperative negotiation style in which they can consider different alternatives and find joint solutions which accommodate everyone's concerns. Checkel (2005) even argues that member state representatives socialise deliberation and consensus-building as behavioural norms. Particularly, if they interact in contexts of uncertainty or urgency and frequently meet within varying formats, including telephone or video conferences, to discuss consequential policies, they adopt a 'dense form of collegiality and collective identity' (Hayes-Renshaw & Wallace, 2006, p. 46). Yet, the preference for cooperative bargaining styles also has practical reasons. In a process of *integration without supranationalisation* (Fabbrini & Puetter, 2016), EU member states have pooled competences at the EU level without strengthening supranational institutions. Thus, EU

member states depend on finding unanimous agreements in processes of deliberation and consensus-building to maintain political effectiveness (Puetter, 2016).

While the high relevance of deliberation and consensus-building is well documented, few studies have investigated the institutional implications for Council configurations, committees or working groups. The institutional environments in which EU member state representatives gather can facilitate or harm cooperative bargaining. In a literature review, Lewis has identified four institutional characteristics which impact negotiation styles in the Council (Lewis, 2010). First, an institutional environment is more likely to facilitate cooperative bargaining if it is insulated from domestic audiences. If national officials can be sure that their statements will not be discussed in national media or criticised by opposition parties, they can speak more freely and even identify room for compromises. Second, the negotiation style in the Council varies with the scope of issue coverage. If national officials negotiate different topics simultaneously, package deals can facilitate compromises. Third, the intensity of interaction among national officials impacts negotiation styles within the Council significantly. If national officials gather frequently in small groups and informal contexts, they develop close relationships and become more committed to cooperative behaviours. Finally, negotiation styles vary with the density of norms. National officials are more likely to behave cooperatively if they interact in an institutional environment where deliberation and consensus-building norms are practised consistently, and violations are sanctioned. Indeed, empirical studies suggest that these four variables can account for institutional reforms in the Council. During the sovereign debt crisis, new formats were developed in the relevant configurations, committees and working groups dedicating more time to face-to-face interaction in insulated and informal formats (Puetter, 2014, pp. 148-170; Puetter, 2015). Still, scholarship lacks a systematic understanding of the relationship between the importance of deliberation and consensus-building in Council negotiations and institutional change.

The outlined paper aims to demonstrate that cooperative bargaining styles in the Council reflect not only in institutional engineering but also in institutional choices. It assumes that member state representatives in the Council have adopted deliberation and consensus-building as behavioural norms (see above). As a consequence of this socialisation process, they genuinely believe that cooperative bargaining styles are more likely to have effective outcomes than hard ones. This belief also affects their preferences for institutional environments. The more member state representatives have internalised deliberation and consensus-building norms, the more they wish for an institutional environment which facilitates cooperative bargaining. This desire is especially strong in the context of crises which cause uncertainty and urgency (Boin et al., 2005, pp. 3-4) and, thus, accelerate the socialisation of deliberation and consensus-building norms (Checkel, 2005). Obviously, member states representatives cannot always choose their institutional environments. In particular, ministers are often bound to formal procedures which have to take place in particular institutions. Yet, if they can choose member states, representatives will meet in that institutional environment which they find to offer the best conditions for cooperative bargaining.

The outlined paper introduces the concept of *institutional attractiveness* to conceptualise these institutional choices further. Building upon Lewis (2010), it suggests that member state representatives evaluate institutional environments according to three criteria. First, they prefer to meet in insulated formats in which they can speak honestly with their colleagues and think openly about possible compromises without facing the taboos of public speech (Hillebrandt & Novak, 2016). Second, representatives will evaluate institutional environments regarding the formats they offer for informal exchange. Typically, formats facilitate informality, allowing face-to-face interaction in spontaneous and intimate contexts where representatives do not need to obey formalities and can concentrate on policy-related questions. Third, representatives will choose the most reliable environment to ensure everyone is committed to deliberation and

consensus-building norms. In determining the reliability of an institutional environment, knowledge from earlier gatherings is critical. If member states representatives have positive experiences with an institution, they are more likely to consider it reliable. In contrast, instances of deliberation and consensus-building norms being violated in an institutional environment will harm its attractiveness for future gatherings.

Methods

The outlined paper aims to study how ministers and their advisors evaluated the Eurogroup and ECOFIN regarding the criteria of institutional attractiveness and what motivated them to meet in the Eurogroup so regularly. For this purpose, I plan to collect and analyse data from elite interviews, press statements and national documents.

The presidency as a factor of institutional attractiveness during the COVID-19 crisis

The presidency systems might have been a significant difference in influencing the institutional attractiveness of the Eurogroup and ECOFIN during the COVID-19 crisis. In ECOFIN, the presidency changes every six months following the rotating Council presidency. In the Eurogroup, the president is elected among Eurogroup members for 2.5 years. At the start of the COVID-19 crisis, Mario Centeno had served as Eurogroup president for over two years. Therefore, ministers could build on multiple experiences on how he would chair meetings and what strategies he would apply to facilitate deliberation and consensus-building. In contrast, Zdravko Marić has been the ECOFIN chair for only two months. Despite his multiannual membership in ECOFIN as the Croatian Finance Minister, the other ministers could not be sure how he would lead negotiations and whether he would value cooperative bargaining styles. While Council presidencies face institutional limitations (Warntjen, 2008), they usually have the instruments and the motivation to facilitate deliberation and consensus-building (Elgström

& Tallberg, 2003; Niemann & Mak, 2010). In acts of institutional engineering, they can enrich Council gatherings by adding informal formats where ministers can meet in small groups and engage in intimate face-to-face conversations focusing on aspects of policy design only. For example, during the sovereign debt crisis, multiple ECOFIN meetings started with breakfast or lunch meetings (Puetter, 2014, p. 163). Yet, in March 2020, EU Finance ministers did not have the time to wait for similar innovations in institutional engineering. The situation in Italy and other countries heavily affected by the pandemic required quick actions. New instruments needed to be developed so that fiscal solidarity could be offered in an acceptable way for all EU member states and the political gridlock between Northern and Southern countries be resolved. Reliability might have been a crucial factor in determining institutional choices in this peculiar situation. Ministers might have opted for the Eurogroup to negotiate these sensitive and consequential issues because they knew what to expect in this institutional environment. Furthermore, in the Eurogroup, ministers could also speak to the European Central Bank president and the European Stability Mechanism managing director. Both institutions offered crucial instruments which could contribute to a compelling package to counter the economic implications of the COVID-19 crisis.

Implications

The outlined paper aims to advance the academic debate on the institutional implications of cooperative bargaining styles in the Council. It argues that member state representatives choose their institutional environments based on institutional attractiveness. Especially during crises, member states representatives select venues carefully based on their insulation, informality and reliability. The concept of institutional attractiveness can enhance our understanding of institutional shifts in the Council. Already during the sovereign debt crisis, studies suggested that Eurogroup meetings became more critical in EMU reform negotiations than their

counterparts in ECOFIN (Puetter, 2016; Schlosser, 2019, pp. 88-95). Explanations focussed on the euro-specific character of the crisis. The repetition of this intrainstitutional shift during the COVID-19 crisis points to more significant deficits in the ECOFIN configuration in comparison to the Eurogroup. While further data needs to be collected and analysed, there are good reasons to assume that the presidency significantly influences the attractiveness of an institutional environment. Permanent presidencies can build long-term trust among member state representatives and consolidate informal formats against a long-term horizon. Yet, it is not only important how long presidencies last but who serves. Findings from the Foreign Affairs Council demonstrate that even permanent presidencies can have little impact if national negotiators do not perceive the president as one of them (Juncos and Pomorska, 2023). Future research might focus on identifying additional factors which impact the institutional attractiveness of different environments in the Council.

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