



## EXECUTIVE SUMMARY

Conference on

### **Small States Inside and Outside the European Union**

16 and 17 May 2008  
Kochhaus, Schengen

#### **Introduction**

The Luxembourg Institute for European and International Studies (LIEIS), in association with the Pierre Werner Institute, convened a two-day international conference on 'Small States Inside and Outside the European Union' on 16 and 17 May 2008 at the Kochhaus in Schengen. Following a symposium in 1993 and a seminar in 2002, this conference is the third in a series of meetings on the question of small states. About 30 participants from a wide range of countries across Europe debated the concept of country size, individual cases of old and new EU member states, as well as the situation of non-members who are either uncertain about accession or aspiring towards full membership. The objective was to combine conceptual insights with empirical description and to formulate concrete policy recommendations.

Referring to the cognitive interest which the topic of small states has generated, Armand Clesse, Director of the LIEIS, said in his introductory remarks that this field of study has changed enormously over the past few decades. As a result, there are a number of conceptual questions that arise. First, how has the notion of small states changed over the last 20 or 30 years? Second, in what structural ways are small states distinct from larger states, and how might their interests differ? Third, is there a statistically significant correlation between size and membership in an integrated entity? What might be the different categories: 500,000, 2-3 million, 8 million, etc.? Fourth, in addition to geographic and demographic 'criteria', how best to conceptualise less tangible factors such as economic, political and cultural power or soft *vs.* hard power? Put differently, in what ways does geographic location (rather than size) shape a country's social development and foreign policy outlook? For example, do small states favour coalition-building with other small states or rather with large states? Is there a divide or even a natural rift between small and large states – e.g. before, during and after the Nice Summit in

2000? Are small states perhaps morally superior to large states – no choice other than to behave more morally, e.g. by not being a colonial power (but then again Belgium was)? Fifth, what, if any, link is there between small states and the democracy within the EU?

## **I. The conceptual framework: rival conceptions of small states**

The first part of the conference proceeding consisted of a number of short, introductory presentations focusing on rival conceptions of smallness in relation to states in general and member states of the EU in particular. As Raimo Väyrynen explained, David Vital's book of 1967 was part of the first wave of research on small states in the 1960s. The second wave was in the late 1980s, connected with the enlargement of the then European Community (EC). The question is whether we are currently seeing a third wave. The notion of small states is certainly changing: for example, some Japanese scholars think that Japan is a small state because the country cannot defend itself against nuclear attacks. But if that's the definition, then virtually all countries would be small. Rather, smallness can be conceptualised differently. One such way is to look at forms of power. First, state capability in relation to size (territory, population): David Vital put the threshold at 10 million people. Second, asymmetries in relations between countries (the influence of countries on each other). Third, the influence of countries on policy outcomes. For example, within the EU Luxembourg has had disproportionate influence. Likewise, as Robert Keohane has argued, Israel wields far more influence in the Middle East than other countries of similar population or territory.

More specifically, the small states in the EU exhibit a number of shared features or stylised facts. First, small states tend to join the core (a strategy favoured by Finland) such as the Eurozone, the Schengen agreement, etc. where the big powers are and key policy decisions are taken. Second, the European Commission is expected to be the prime agent of collective interests that protect small countries from the bigger member states. As such, small states have a strong incentive to have good relations with the Commission which acts as a balance vis-à-vis the national self-interest of bigger states. Third, small states often develop alliances with bigger member states (e.g. Finland with Germany, Sweden with France). Fourth, small states need to maximise their performance and build up their reputation by branding themselves in certain 'market niches' – R&D, education, finance, insurance, etc. Finally, small states can enhance their standing within the EU by proposing important initiatives of common interest such as the Euro or the CFSP. What matters in this respect is political imagination.

Clive Archer argued that there have been several changes in the concept of small states. Up until the end of the Second World War, the dominant conception was that of 'small powers', i.e. countries that are policy-takers rather than policy-makers. This conception goes back to the second half of the nineteenth century, the League of Nations and the UN Charter. With hindsight, it is perhaps preferable to characterise countries which fit this description as medium powers. By contrast, in post-Second World War history (especially since the 1960s), there has been a move from more objective criteria to more subjective elements. For example, the question of perception has become central, both the perception of decision-makers and the self-perception of elites and populations. Another example of this change is the importance of situational elements: is Norway really a small state in relation to energy? Or Iceland in terms of fisheries? Or Luxembourg in the area of banking?

This relates to questions about whether countries can choose their size. Moreover, countries in Central and Eastern Europe and elsewhere have seen changes in their size: e.g. the Czech Republic, Slovakia and, above all, Serbia. The more subjective elements also include the idea that smallness is often associated with marginal position, but not necessarily in a geographical sense. Rather, in terms of the environment and climate change, countries can be small but smart. Moreover, smallness presents a number of potential advantages: smallness can be an excuse and pretext not to act; smallness can enable countries to take initiatives and set the policy agenda; smallness might be a virtue because it limits power. What if we banned the term ‘small states’?

Finally, C. Archer said that the various changes in the concept of smallness raise further questions: would the abandonment of the notion of ‘small states’ be a loss to research and debate? Is it possible to discuss the activities and objectives of the countries in question without having a clear conception of what smallness is?

Baldur Thorhallsson confirmed that the past few decades of academic research and public debate have witnessed a shift away from more traditional criteria such as population, territory, GDP and military power towards other elements such as preference, perception and role. However, there are other ways to measure and assess a country’s size. For instance, there is a strong correlation between country size, small administrations and public policy effectiveness. Perception is indeed of fundamental importance: how is a country’s capability perceived? One example is Iceland within the Nordic bloc, where the same demands are often placed upon Iceland as the demands on other, much bigger members. The question of preference is also central. At what point does a state become influential? How do small states transform themselves from being merely reactive to being proactive? Does the condition of being an island, which is more than simply a geographical location, give small states a different status?

Mario Hirsch referred to Napoleon who argued that geographical positioning determines foreign policy. If this is true, then geography gives countries like Luxembourg an advantage over countries such as Cyprus and Iceland because islands face the risk of isolation and a lack of ties to other countries, big or small. Furthermore, the political and historical context plays a major role: in the 1930s, several small states rejected a ‘go-it-alone’ or isolationist strategy and instead teamed up together as part of the Oslo Agreements. In terms of academic research, there have been a number of important interventions, beginning with Annette Baker Fox’s book in the 1950s but also the work of Robert Keohane, Stanley Hoffmann and Peter Katzenstein on social cohesion around corporatism and neo-corporatism in small states. Indeed, there seems to be a very strong correlation between country size and social cohesion (e.g. the tripartite system in Luxembourg or Austria which degrades the parliament but seems to ensure stability in terms of social dialogue and labour relations). More generally, small countries can be understood as having ‘influence without power’ because smallness induces the need for cooperation (e.g. after the Congress of Vienna).

At this stage in the debates, a series of participants formulated a number of questions. First, is the growing heterogeneity of small countries inside the EU bound to decline or increase? Do small countries have higher or lower levels of self-esteem and self-confidence, and what might be the impact of self-perception on a country’s power and influence? (A. Clesse). Second, can we avoid discussing the difference between old and new small states, e.g. Finland

vs. Cyprus? (Victor Weitzel). Third, are resources, both in terms of traditional power and new power, crucial to foreign, defence and security policy? Do resources change perception, self-perception but also the wider context within which traditional powers are deployed? (Anders Wivel).

The first session continued with a short intervention by Jacques Santer, the former Prime Minister of Luxembourg and President of the European Commission. He began by saying that the main problem for the EU is not so much the growing number of smaller members but rather the larger member states: the traditional four (Germany, France, Italy and the UK), plus Spain and Poland. Together they have a large share of the votes and a lot of political clout. In this configuration, the *méthode communautaire* is the best guarantee for smaller states to have a voice within the EU, now and in future. Moreover, the EU cannot continue on the trajectory of further integration without those countries, both big and small, that currently form the core – the Eurozone and the Schengen area. This is not to advocate a two- or multi-speed Union but instead to stress that countries should lead by example and show the way for all the member states by demonstrating that closer cooperation does not diminish but rather enhance sovereignty through the pooling of resources and the coordination of policies in a world that is increasingly interdependent. In terms of institutional reform, J. Santer appealed to both decision- and policy-makers to understand the political and psychological problems of reforming the Commission and not giving small countries a representative. In the past, the Commissioner has ensured a close link between his or her member-state and the Commission, and this proposed reform will alter that balance. At the same, an expanding Union needs radical institutional reform if it wants to enhance internal policy efficiency and turn the EU into a more effective player in the world.

The remainder of the first session consisted of a number of short interventions and a final response from R. Väyrynen. Larry Siedentop made the point that situational factors are nowadays much more important than in the past. Indeed, the situation of large states has changed, not least with respect to the question of disintegration in larger states which has arguably been encouraged by EU membership, making separatism easier. This might well apply to entities as different as Scotland and Catalonia. David Criekemans wondered whether and how geography matters. His argument was that geography is not deterministic: in the same letter from which M. Hirsch quoted, Napoleon said that foreign policy is ultimately decided by the major powers. So the real question is capacity or capability, and how best to maximise opportunities and limit one's own restrictions (e.g. Singapore). For his part, Silvo Devetak shifted attention to the topic of decentralisation, regions and local democracy in the EU. What is the real power of Madrid in Spain? Isn't it the case that little can be achieved without Scotland in the UK, Bavaria in Germany, Lombardia in Italy, etc.? If so, then what is at stake is not the size of countries but the influence of regions or localities.

Costas Melakopides remarked that for most small states essentialist definitions have been abandoned in favour of stipulative definitions or distinctions, a shift that is mirrored in the tendency to contrast small states with middle powers. For instance, some countries are said to be “small but...”. Depending on the case, this can be a honorific term: e.g. “although small, Luxembourg has achieved so much in the area of banking, etc.”. However, the same applies to middle powers, of which it is said that they are medium countries, but with disproportionate influence. All of which shows that the question of size can be conceptually misleading and statehood requires a different conceptuality.

On the question of foreign and security policy, Plamen Pantev described the role of small states within the international system and the framework of international law in terms of “soft power”. Ever since the idea of soft power was theorised by a number of scholars including Joseph Nye, “soft power” is moving away from traditional ideas towards a state’s capacity to contribute to the solution of global problems such as climate change, poverty and the reform of international institutions. Mladen Stanicic wondered whether small or big states are more secure in the light of new international threats and which type of country has the intellectual and other resources to protect its population against possible attacks. M. Hirsch mentioned the free-rider phenomenon whereby, for example, Luxembourg has been accused within NATO of having the lowest contribution to the common defence budget – despite being the richest country in terms of GDP per capita. More generally, small countries seem to benefit disproportionately from international context, in terms of defence, higher education, R&D, etc.

Finally, R. Väyrynen agreed with a number of participants that the question of geography in relation to small states focuses on location, not absolute territorial or demographic size. Perhaps we should also include history and the positioning of small states at crucial moments. What is certainly true is that countries have problems adjusting to their new-found smallness, especially after the end of colonialism. This also affects the middle power status, e.g. debates in Sweden in the 1970s. It seems that the categories have changed, diluting traditional power structures and changing the emphasis. Especially within the framework of the EU, the meaning and the role of small states have evolved.

## **II. The experience of ‘old’ small states within the EU – the case of Luxembourg**

The second part of the conference proceedings focused on the experience of ‘old’ small states within the EU, with a special reference to the case of Luxembourg. The discussions were framed by a presentation delivered by J. Santer. For a long time, Luxembourg was for a long time the smallest state of the EU, but since the 2004 enlargement this ‘crown’ has passed to Malta. With 450.000 residents and another 200.000 to 300.000 commuters from the three neighbouring countries, Luxembourg is very much a buffer-state between France and Germany – its geographical position has helped the country exercise the role of power broker between former arch enemies, as exemplified by Robert Schuman. But beyond its geographical location, three other factors explain the influence of Luxembourg as a small state: chance, innovation and stability. The chance factor is very important. First, in the middle of the nineteenth century, in 1867, the King of Holland wanted to sell the fortress of Luxembourg to Napoleon III. The subsequent crisis was resolved by the second Treaty of London (1867) guaranteeing Luxembourg’s neutrality. Second, Luxembourg got its own monarchical autonomy when the heir to the Dutch throne was female. Third, after the end of the German *Zollverein* and following the First World War, there was a referendum in Luxembourg about whether to join an economic union with France or with Belgium: even though the referendum was overwhelmingly in favour of France, Paris rejected it for internal domestic reason and Luxembourg ended up creating a union with Belgium (1921) – the



precursor for the Benelux. Once more chance mattered: had Luxembourg joined France, it would have been viewed as a mere *département des forêts*.

Innovation was crucial to Luxembourg's development. From an economic point of view, in the nineteenth century the country was poor, with emigration to Ireland and the USA. The discovery of iron and steel led to an economic miracle but also to new forms of dependence. Luxembourg benefited from this discovery and from subsequent opportunities because it became a laboratory of ideas and innovations that extend beyond the core industrial areas: the first private commercial radio in Europe in 1931; the first private commercial TV in Europe in 1957; the first investment funds in Europe in 1986. In short, Luxembourg's wealth is not just based on the banking secret but also on continuous innovation. More recently, this includes the first medium-powered satellite system (now the biggest satellite company in the world) and the first global products for re-insurance companies (now over 280 in Luxembourg).

Finally, political stability has been instrumental in the country's survival and evolution as a small state. The country has benefited from a succession of long-standing Prime Ministers: the late Pierre Werner was 25 years in government and served 20 years as head of government. Jacques Santer himself was 17 years in government, 11 years as Prime Minister and 10 years in the European Parliament; the current head of government Jean-Claude Juncker has been in government for 25 years, including 12 years as Prime Minister, a number of years Head of Euro-Group and one of the contenders for the future post of EU President. In addition to domestic stability, this has helped Luxembourg forge close links with its neighbours and partners and build ties of friendship with bigger countries in the EU. Luxembourg's repeated Presidency of the EU Council has yielded important results: under the leadership of Santer himself, the EC agreed on the Single Act in 1985. Luxembourg also helped launch negotiations culminating in the Maastricht Treaty in 1991. More generally, the country has always sought to preserve and enhance social stability and social cohesion at home and in Europe, based on a small, efficient administration.

In terms of its future, Luxembourg has laid the foundation of a number of strategic developments. First, fostering regional cooperation as part of the *Grande Région* (a region that correspond approximately to the historical region of Lothringen that has existed since Charlemagne). Second, the EU will remain a union of national states, but the bigger regions within the EU will become ever more important. Examples include the so-called Euro-regions such as, fore example, around Basel or around Maastricht, etc. The challenge for Luxembourg is to give an identity to this region of 10 million people and to actualise all its potential for development.

Following this presentation, A. Clesse raised a number of conceptual questions. Is it the case that diversification is indicative of a country's capacity to adapt to changing circumstances (resilience)? In turn, is resilience, thus defined, indicative of a certain capacity to reinvent economic, social and societal model (reliability)? What about the contempt for small states on the part of the bigger countries, not just in relation to military and defence issues, but also more widely in foreign policy? Could Luxembourg become the victim of its own success? If Luxembourg serves as a model to other small states, are there any hidden dangers?

In response to J. Santer's presentation and these questions, various participants intervened. V. Weitzel said that a small administration and a political class are needed in order to correct widespread distortions, such as bureaucracies, rent-seeking, etc. However, things are no

longer as idyllic as they were in the past. Luxembourg faces difficulties in managing its own success: there are already 42% of non-natives in the country and almost 80% of the work force employed in the private sector are foreigners (highly skilled for most of them). The question is whether these trends are sustainable. For example, the housing sector suffers from a growing imbalance: real estate prices are becoming unaffordable, forcing people to relocate to Germany, France and Belgium where pressure is being put on regional markets and local populations. Moreover, the high proportion of non-natives who do not have citizenship means that the electoral mandate is highly ‘conservative’, in the sense of being small and not fully representative: those who help create wealth are not granted political rights. There is also sometimes a lack of rules for the delivery of public services: citizens are viewed as clients, so the 2<sup>nd</sup>-class citizens are in fact 2<sup>nd</sup>-class clients. Finally, long-serving politicians are not necessarily good since they risk being out of touch with these realities.

Michel Heintz asked what non-Luxembourg participants think of the success or otherwise of Luxembourg. After all, it is not the only power broker and perhaps not the most successful one. In the past, Luxembourg contributed ideas to the EU, e.g. in the context of efforts towards a European economic and monetary union which culminated in the introduction of the Euro. But nowadays it seems that European policy has become very pragmatic, perhaps too much so. In what way does this trend privilege middle-size and big member states? Laurent Goetschel agreed that regions are important but wondered whether the model of the *Grande Région* can be applied elsewhere. Is there not a danger that Switzerland, if it adopted a model of 4-5 regions, could dissolve? What would happen to those parts of Switzerland that are not connected to such (cross-border) regions? Moreover, this type of regionalism is economico-centric – urban and non-urban regions – and as such it risks marginalising certain regions that are less permeable and less developed.

R. Väyrynen confirmed J. Santer’s argument that the power and influence of small states is a combination of history and opportunity and that chance accounts for a country’s fate more than rational academic analysis is perhaps prepared to admit. For example, was Finland better off after 1809 under Sweden or under Russia? Perhaps surprisingly, Finland probably benefited more under the latter. He also agreed with M. Hirsch’s point that Luxembourg has in some way exploited its neighbours, especially in the field of higher education. C. Archer remarked that the choice of citizens about where to live is a key issue for the EU, not just in terms of immigration but also intra-EU migration. Indeed, the current out-flux of Poles from the UK is a confluence of the weaker Pound Sterling and new opportunities at home. Moreover, migratory flows are not confined to the poorer, low-skilled workers but extend to the affluent and the highly-skilled. If this is true, one question in relation to Luxembourg is why some natives aren’t leaving their country in search for a better balance between work, the cost of living and the quality of life?

On the question of trans-regional cooperation, L. Siedentop observed that there is still a lot of contempt for regionalism, not least because of the persistence of national identities. One example illustrates the dominant mentality vividly: when asked about relations between Catalonia and Languedoc-Roussillon, Jordi Pujol (the former head of the Catalonian regional government) is reported to have said: ‘the French treat us the way we treat the Portuguese’!

In conclusion of this part of the second session, J. Santer responded to V. Weitzel’s remark about demography and said this is not only a problem for Luxembourg. Other EU member

states and the EU as a whole face similar difficulties: if present trends continue, Germany stands to lose over 20 million people in the next 30-50 years. At the same time, the presence of foreigners is welcome but of course it creates problems in relation to EU citizenship and voting rights for residents. He defended his advocacy of small administrations, saying that they enable rapid decision-making. In relation to C. Archer's point, he explained that in Luxembourg, the natives are commuters in their own country and most are not leaving the country for good. More generally, he argued that Luxembourg only created its university some 10 years ago because the idea was to internationalise the natives and to maintain solidarity with the non-natives. It has been a win-win situation because Luxembourg has not just benefited from the *Grande Région* but also exported jobs to its other constituent countries.

Following discussions around J. Santer's presentation, a range of other participants intervened on the case of Luxembourg. M. Hirsch reminded the audience that back in 1991, the then Luxembourg Foreign Minister Jacques Poos had cast doubt on the viability of an independent Croatia and had declared that the looming Balkans conflict marked 'the hour of Europe'. With hindsight, he was profoundly mistaken on both accounts. Moreover, Luxembourg's economic and political record is mixed. This raises two questions. First, is Luxembourg a success story and a model that can be applied to other small countries? Second, is the country running the risk of becoming the victim of its own success? On the first question, he argued that there are a few insights that could be transferred to other cases. For example, Luxembourg enjoys a favourable geographical positioning and has exploited it consistently – other countries such as Slovenia could learn from this experience. Another example is modesty which has served the Grand-Duchy well: until the reign of Jean-Claude Juncker, Luxembourg's foreign policy was dominated by subservience to neighbours and close 'coordination' with Belgium. By contrast, Prime Minister Juncker adopted a more affirmative policy and dared show the flag by joining the summit at Tervuren in April 2003, a move which caused considerable irritation in Washington and London. The justification was that as a founding member of the European Community, Luxembourg had the duty to be present at the launch of a major initiative in the area of defence and security policy.

Linked to modesty is the 'nuisance value' of small countries, i.e. the use of veto right, exercised only one and a half times by Luxembourg in the EU Council (as compared with over 180 times in the case of France and over 140 times in the case of Germany). Another insight that fellow small countries can learn from Luxembourg is to get their priorities right and not to raise their voices too often – small countries will only be able to punch above their weight if they pick their battles carefully.

In terms of being the victim of its own success, the case of Luxembourg offers the following lessons for other small states. First, an overstretched economy (applicable for a country of the size of Slovenia). Second, the danger of becoming a minority in one's own country. Third, a monolithic economic structure, with excessive dependence upon banking and the phenomenon of a 'company state' (there are parallels between Luxembourg and the US state of Delaware).

Serge Allegrezza argued that among the criteria of small countries, there is, first of all, the openness of the economy; second, export concentration; third, diversification; fourth, dependency on strategic imports (e.g. energy); fifth, the degree of peripherality. He disagreed



with M. Hirsch, saying that Luxembourg does not have an oversized economy. GNP per capita is indeed one of the highest in Europe and the world, but it is not overstretched because there is good specialisation: indeed, Luxembourg's economic structure is characterised by high value-added sectoral specialisation, i.e. banking which is a very dynamic area. Moreover, Luxembourg does not want to be compared with, or treated like, Liechtenstein, which is why it has in the past cooperated with its EU partners on partial tax harmonisation.

However, Luxembourg faces at least two problems. First, a fast and efficient decision-making process does not require the same level of hierarchy as in bigger countries but the country's quality of decision-making is questionable: Luxembourg's state administration is small, perhaps too small to address the country's problems and challenges. Second, the volatility of the world economy in general and global financial services in particular exposes the vulnerability of Luxembourg's dependence on the banking (and insurance) sector. Asked about the extent to which small states are sovereign, he said that Luxembourg's sovereignty consists in producing legislation at the national level that is compatible with EU law, i.e. finding niches and leeway to manage the gaps that are left by the EU.

On this topic of sovereignty, L. Siedentop interjected that we need to distinguish between formal authority on the one hand, and real power and influence, on the other hand. Whereas these two sources of sovereignty tend to be the same for bigger states, they differ for small countries, which can be treacherous. Moreover, bigger countries are more fiercely attached to national sovereignty, e.g. the UK, while small countries are prepared to pool sovereignty in order to protect themselves against threats they cannot address themselves. V. Weitzel added that the sovereignty that emanates from the people is still important and that Luxembourg's official foreign policy has at times been shaped by a desire of its leaders to conform to public opinion. Torn between being loyal to the USA and a reliable member-state of the UN, NATO and the EU, Luxembourg felt compelled to join the meeting at Tervuren in April 2003 when Germany, France and Belgium initiated it – not least because public opinion was opposed to the US-led invasion of Iraq.

Serge Thines concluded the discussions on the case of Luxembourg. He claimed that Luxembourg's principal assets are its natural resources and clever diplomacy. As a founding member of the Coal and Steel Union and of the EEC, Luxembourg's level of steel production was almost equal to that of Italy and the Netherlands, propelling the country to the forefront of economic and political integration. The later move towards banking and finance was crucial in transforming Luxembourg into one of the most dynamic economies within the EC and subsequently the EU. At the same time, close relations with France and Germany and Luxembourg's role as a negotiator, mediator and an honest power broker, both bilaterally and supranationally, was to its own benefit, that of the Union as a whole and also to the advantage of Community institutions such as the Commission. However, these two assets do not necessarily make Luxembourg an easily exportable model because the context has changed and assets are different.

### III. The experience of a ‘new’ small state within the EU – the case of Slovenia

The third part of the conference proceedings turned to the experience of ‘new’ small states within the EU, with particular reference to the case of Slovenia. The discussions were introduced by two presentations, first by Bojko Bucar and then by S. Devetak. In his remarks, B. Bucar spoke of 1991 as a window of opportunity for independence but the question, then and now, is whether Slovenia is a viable state. Compared with the former Yugoslavia, both the country’s population and its market potential plummeted from 22 to 2 million. But Slovenia adapted as a result of its smallness and its economic capacity. Indeed, Slovenia is now considered to be a developed economy: in the next EU financial perspective, the country will be a net contributor to the Community budget, less than 10 years after joining the Union. But what if initially it had been poorer? This raises the question of Kosovo. For Slovenia, EU membership was never in doubt: over 70% of Slovenes supported it, not least because relations within the EU were seen to be fairer than in Yugoslavia. This percentage fell to about 54% in the course of EU accession negotiations, in large part because the actual conditions for membership went beyond the Copenhagen criteria and the *acquis communautaire*. It also has to be said that social cohesion is getting weaker. All of which points to the observation that the public of a small country can more easily be manipulated than that of larger countries.

Before concluding, B. Bucar gave his assessment of Slovenia’s EU Presidency – the first of a ‘new’ small state. While it is hard to say whether Slovenia was able to put forward her own ideas or initiatives, there was a clear commitment to the Community method, rather than inter-governmentalism. At the same time, Ljubljana also supports enlargement, including the EU’s inclusion of Balkan countries such as Croatia and, eventually, Serbia. Slovenia also believes that the CFSP is desirable and can be strengthened. In conclusion, he said that new, post-transition countries like Slovenia are often characterised by smallness but that the existing quality does not make up for the lack of quantity – compared with other countries, Slovenia’s opportunities and its state capacity are more limited.

S. Devetak agreed with B. Bucar that Slovenia was the most developed republic of the former Yugoslavia, accounting for 50-60% of Yugoslav exports to Western Europe, and also that it had more open borders since the 1950s and 1960s. So in many ways, EU accession was natural, but it has both advantages and disadvantages. Since B. Bucar already addressed the former, S. Devetak chose to focus on the latter. Among them, there is indeed a lack of social cohesion, but the question which this raises is whether it is loss of unity or the gain of welcome diversity. It is also the case that Slovenia’s administration is large, expensive and inefficient, suffering from excessive centralisation in Ljubljana. Currently a referendum is being discussed to address this problem. Another disadvantage of EU membership is Slovenia’s difficult relations with virtually all its neighbours (Italy, Hungary, etc.): the so-called ‘Spanish agreement’ involves opening up the real estate market to foreigners, especially Italians (Austria is less interested in Slovenia and vice-versa) and this is causing upheaval.

Moreover, Slovenia’s human rights record is very bad, especially in relation to the problem of ‘erased people’ and the absence of any mosque despite the presence of 40,000 – 60,000 Muslims. Finally, Ljubljana has been accused of the non-implementation of EU directives:

there are journalists who protest against restrictions and other cases of curtailing civil liberties. In conclusion, S. Devetak was equally critical about the Slovenian Presidency, arguing that there were no new initiatives and that none of the five objectives had been met, especially concerning the so-called 5<sup>th</sup> enlargement and the EU neighbourhood policy. Moreover, Slovenia did not oppose or denounce interference from the Bush Administration which issued instructions for the EU Presidency to deal with Kosovo and support independence.

The experience of new small states within the Union and the case of Slovenia raised a series of questions, both conceptual and empirical. A. Clesse wondered whether it is easier to manipulate the public of a smaller than a larger country and whether larger states are bolder in handling the EU Presidency than small ones. M. Hirsch argued that the EU Presidency amounts to the instrumentalisation of what is supposed to be an honour. So the prestige and status is offset and perhaps even outweighed by the costs of directing the affairs of the Union. One factor that explains that this position might be a poisoned chalice is because each country's agenda-setting power is limited by the existence of the troika and this is especially true for small countries that find themselves squeezed between two big member states. Having said this, Slovenia has only been criticised on two issues: Kosovo and Georgia – there are many worse records of EU Presidencies than that!

There were other dissenting participants. Mats Braun contended that in the case of Slovenia, the road to EU membership was non-contentious until it was imminent. So is it not true that small countries need external recognition to proceed with further integration and maintain public support? Otherwise they might suffer an identity crisis and turn on the Union – a trend supported by the example of the Czech Republic. Likewise, L. Goetschel voiced his surprise about the tone of S. Devetak's analysis, in particular his focus on all the negatives at the expense of the positives such as Slovenia's smartness in playing the EU game and gaining advantages for the country. Jan Rood wondered whether smaller states really exert any influence on the EU agenda. This debate has already taken place in the Netherlands and the conclusion seems to be to say that this is not really true. But is there any strategy in other smaller states to try and influence the Brussels machinery? Are 'new' small states following Luxembourg's strategy of selective positioning and jumping on the bandwagon? According to Toms Rostoks, the world needs small states but the question is what small states can bring to the table. Before having a strategy, each small state needs clear foreign policy goals.

#### **IV. The position of small states before and after the Lisbon Treaty**

The fourth part of the conference proceedings shifted the discussions away from particular categories of countries and special cases to the question of the Lisbon Treaty. In his introductory presentation, J. Rood analysed the impact of Lisbon on the position of small states, especially their capability of shaping decision-making. The emphasis was not so much on what it means for small member states as such but rather on the balance between small and larger member states within the EU. He began by saying that under Dutch leadership, the small states ganged up to resist a number of proposals by the big countries and to come up with counter-proposals. Unless there are exceptional circumstances, three principles and practices can be observed. First, that in day-to-day decision-making via qualified majority, there are changing coalitions of small and large member states, not any permanent coalitions.

Second, the ambition of the Union as a whole is – and should be – to reach unanimity. Third, there are now six big member states and 21 small (or medium-size) countries – the EU needs to avoid the reality or perception of a ‘tyranny of the tiny’ (*The Economist*).

In this context, the Lisbon Treaty is arguably the worst that could have happened to small states, and this is so for several reasons. Lisbon downgrades the Commission and undermines the Community method, both of which have benefited small member states in the past. The creation of a permanent President would also favour big member states. The EU Foreign Minister (or High Representative) would have three hats and thereby concentrate too much power in his hands: Vice-President of the Commission, permanent chairman of the EU Council and supreme coordinator of national foreign policies, all of which puts a premium on consensus among bigger member states to the detriment of the views of small states. Finally, the extension of qualified majority voting (QMV) would also weaken small member states.

Against this rather pessimistic assessment, it has to be acknowledged that Lisbon does not leave the overall balance of member states intact in such a way that favours bigger countries. First of all, each and every member-state will lose the right to nominate a Commissioner and no one will have a privileged right to appoint the permanent President. Second, the Community Method is being extended to cover Justice and Home Affairs (JHA). Third, big member states still need the support of small states because of the demographic component introduced in terms of majority or blocking minority. Fourth, each country’s voting power is but one way of influencing the decision-making process and outcome. Other key factors include networks, diplomacy, experience and powers of persuasion.

As a result of these contrasting assessments, it is imperative to look at Lisbon from a broader perspective. In terms of the enlargement process, the Union has grown from 15 to 27 members in four years, an unprecedented expansion that has had an enormous impact on individual member states. For example, the Netherlands went from one of the few smaller states in the EEC of six to being one of the many in the EU of 27. In terms of integration, the EU of 27 is not necessarily a watered-down Union, and being part of the core is crucial in terms of agenda-setting and leadership, both of which are different from the powers of those countries which constitute the informal *directoire*.

During the discussion, a number of questions were raised and debated. First, how and why will middle-sized countries lose out if the Lisbon provisions enter into force? According to a study by the Brussels-based CEPS, big countries will gain in terms of blocking power, the position of small countries will be unchanged, and the medium-sized countries will lose. Second, could it not be the case that some new member states could join the core? Third, what about the ‘double-double’ majority provision (population and states)? Fourth, is it not true that networking and leadership will be more important than formal voting rights?

In response to some of these questions, J. Rood said that new small countries will indeed join the core and that this might alter the dynamics in favour of coalitions between smaller and larger states. So far the ‘Ioannina compromise’, which deals with the problem of majorities, has not been invoked by any member-state. More generally, what matters in the end is voting outcomes and the Presidency can call for a vote at any time. But this is not to say that the preliminary stages are not important at all; if anything they are more central now than at any point in the past.

A. Wivel offered his own interpretation of the implications of the Lisbon Treaty for small states. According to his argument, to look exclusively at the formal structure risks distorting the real picture and does not reflect the actual power and influence of small countries within the EU. In the Union, there is still a strong culture of consensus and this diminishes the importance of formal voting rights. The permanent Presidency is feared by small member states, but 80% of the EU agenda is pre-determined. In any case, ‘stuff happens’ – events can overtake careful plans and throw any Presidency into disarray. Furthermore, small states should be interested in having a strong Commission and not simply be concerned about the right of naming their own Commissioner. There is also the external influence by countries such as the USA.

More fundamentally, formalisation is problematic for small states for a variety of reasons. First, it risks institutionalising inequality between small and large member states. Second, it limits innovation and the ability for small countries to adopt the ‘smart state strategy’, a concept which A. Wivel has developed in a number of publications. This strategy consists in a variety of elements: to prioritise areas and pick your fights (in niche areas), whilst signalling willingness to compromise in other areas; to present initiatives as being in the common interest of the Union as a whole, not in conflict with the EU agenda or that of big member states; to adopt the position of honest broker. In short, small states maximise their interest and that of the EU by accepting the limits to their own power at the service of getting things done. One way of conceptualising this is as follows: small states set agendas within the agenda – they do not bypass or challenge the broader agenda and the big member states but instead work within the existing arrangements.

In the discussion that followed the presentations by J. Rood and A. Wivel, B. Thorallsson made the point that administrative capability operates both at the formal and the informal level. In other words, a small state that wants to punch above its weight requires a variety of assets, including informality, flexibility, a greater autonomy of officials and the possibility of liaising with high-ranked officials at the ministerial level. In all these respects, Finland has been more successful than Sweden. D. Crikemans returned to the question of the Commission’s legitimacy and wondered whether this is not a false debate because the Commission is not – or should not be – about the influence of small states or any member states, for that matter. Is not the legitimacy of Commission defined by the Treaty of Rome as the guardian of the treaties? With respect to the decision-making process, do not the voting rights of the Benelux countries add up to the weight of a big state? Would this not count as a ‘smart state’ coalition? Is the Benelux still a forum to do this? According to B. Bucar, there is another – and perhaps more important – dividing line, between rich and poor member states. C. Archer went a step further and asked whether it is not more fruitful to leave aside the notion of small states and to focus on real issues such as ‘smart strategy’? What does the concept of small states add to our understanding?

There was also a short debate in relation to the question of legitimacy and perception. M. Braun argued that legitimacy is inextricably linked to perception and that therefore having a Commissioner matters for big member states more than it does for small countries. By contrast, B. Thorallsson questioned whether the functioning of the Commission and the EU as a whole is really about perception. Is it not the case that Poland’s behaviour in the last few years was simply unacceptable and that any small state would have been ignored had it adopted the same posture?



On the distinction between formal and informal powers, M. Hirsch said that the formal structure should not be so easily devalued. For example, Belgium was granted a number of privileges that go beyond the informal or symbolic, including meetings in Brussels and extra seats in the European Parliament. More generally, it is true that during the first decades of the European integration process small states were advantaged in a variety of ways. In relation to regional cooperation, M. Hirsch remarked that the relevance of the Benelux is not limited to cooperation among its constituent countries but extends to cooperation with other regional gatherings such as the Baltic States and the Visegrad countries. Moreover, the Benelux envisages a more active role within the EU of 27: the new Benelux Treaty reaffirms the shared determination to speak with one voice and the Benelux countries seek once more to become the engine of the EU.

In conclusion of this fourth part, J. Rood responded to some of the questions and comments. First, there are only two middle-sized countries, the Netherlands and Romania. That is why the Netherlands insisted on getting one more vote than Belgium during the Nice Summit, pointing to the fact that the Dutch represent 16 million, compared with Belgium's 10 million. Second, the Dutch are thinking about an EU-wide cruise missile defence capability and other issues because of their status as a middle-sized country. Similar initiatives from small states would in all likelihood lack credibility. Third, the dividing line between rich and poor is important but it is a diverse picture because the parameters are changing, especially cases such as Ireland among 'old' member states or Slovenia among the 10 new member states. Fourth, the Commission President Jose Manuel Barroso has talked about the emergence of a new core from which the Commission might be excluded, so the common idea that the Commission favours a two-speed or multi-speed Europe is open to question. If this is true, then small states would have an even greater interest to be part of this core.

Fifth, under the Lisbon Treaty the new system of the Presidency is opaque and represents an unintelligible compromise. What is required instead is a clear structuring of the General Affairs Council because it is charged with coordinating policies in all other areas and preparing the agenda for European Council. Sixth, formal rules of decision-making do indeed matter but not in traditional ways; the meaning of formality is evolving and expanding. Finally, there should not be a permanent split between small and big countries because that would be detrimental to the interests of the small states themselves and the Union as a whole.

## **V. Small states aspiring towards EU membership or uncertain about it**

The fifth part of the conference proceedings touched on all those small states in Europe who either aspire towards EU membership or are uncertain about it. The order of countries which were discussed was Switzerland, Norway, Iceland and Balkan countries such as Croatia and Serbia.

In his introductory presentation, L. Goetschel gave an account of the Swiss case in five points. First, in terms of history, at the beginning of the European integration process (from the late 1950s to the early 1970s), Switzerland had strong economic interests to get close to the then EEC. But a number of political reasons weighed against full membership, including neutrality and sovereignty. Since the end of the 1980s, there has been a reversal. Now Switzerland has had stronger political interests to cooperate, for example in aspects of the EU's CFSP, ESDP

and JHA, but fewer economic interests in accession, not least because membership would involve a net contribution of 4 billion Swiss Francs to the Community budget and harmonisation in the area of banking laws, regulation and employment conditions. Second, on the issue of bilateralism, Switzerland has apparently done well in bilateral agreements since the 1992 rejection of economic integration. However, a so-called Guillotine Clause gives both parties a right to cancel the entire body of treaties when one new treaty or stipulation cannot be made applicable in Switzerland. This has led to the free movement of persons with the EU, full association with Schengen and full integration into education and research.

Third, on the question of an increasing democratic deficit in relation to Switzerland's participation, the current relations between the EU and Switzerland raise the problem of positive discrimination, in the sense that – without full membership – Switzerland can engage in decision-shaping but not in decision-making. This is part of the costs which the Swiss pay for remaining outside the EU structures. Fourth, why does Switzerland then accept the *status quo*? One answer is that non-accession is favourable partly because of the benefits of independence and partly in order to preserve its model of direct democracy. Fifth, this strategy is high-risk because instability in one area could weaken and perhaps even bring down the entire architecture. In consequence, a lot will depend on what happens with other countries such as Turkey with which the EU has association agreements. Maybe new forms of EU membership participation in the future might make Swiss membership possible.

Asked about whether Switzerland does not have the best of both worlds, L. Goetschel responded that this is not quite true because, from a political point of view, Switzerland would prefer a de-politicisation of the EU legislative process whereby Swiss lawmakers could be in close coordination with the EU without having to join the political process. Asked about why it is that economic interests are no longer as important as political ones, he said that this is to do with the fact that politics drives the European process and that the absence of political power deprives Switzerland of a number of ways of influencing the process. But it is also true that the Swiss economy would be in deep trouble without the bilateral agreement with the EU.

The second case which was discussed was that of Norway. In his introductory remarks, C. Archer reminded the participants that Norway twice rejected EU accession by popular vote in 1972 and again in 1994. But it joined the EEA: the four freedoms extend to all EEA members, including Norway, Iceland and Liechtenstein, and there has not been any Norwegian disagreement with EU legislation in these areas. At present, any new referendum would also be rejected, by a margin of 7 to 3, predominantly because of oil and gas, fisheries and the benefits of staying outside the Euro (it was in fact the agriculture and fisheries lobby that financed the No campaign in 1994). In terms of the future, Norway is pursuing a policy of strategic positioning vis-à-vis its most important neighbours and partners. It enjoys close relations with both the EU and Russia. Even though Norway is a NATO member, the USA is less and less interested in NATO's Nordic dimension, and Norway's refusal to send troops to Iraq didn't help transatlantic relations. But some warn that Norway will need other friends and allies in order to withstand Russia's resurgence.

R. Väyrynen added that the 1972 rejection can be explained in terms of Norway's centre-periphery structure: the rural periphery voted massively against EU accession because they already felt excluded from Norway's urban core. Moreover, a lingering practical, 'down-to-

earth' nationalism means that many Norwegians will not join on grounds of preserving national sovereignty.

The discussions then moved on to the case of Iceland. Silja Bara Omarsdottir argued that Iceland has so far refused to join the EU for the following reasons. First, the country feels that it would lack influence after accession and that it would also lack access to decision- and policy-makers because Iceland sees itself as a policy-taker. However, as a member of the EEA, Iceland is able to use the little influence it has in order to shape the policy process and outcome. Second, every political party in Iceland is split on the question of EU accession, with the sole exception of the social-democrats who are broadly supportive. But the supporters of political parties are in favour of exploring membership, so there is a split between the elites and the people.

Third, Iceland's current economic instability changes the argument about full membership. There has recently been a 25% decline in value of the Icelandic currency vis-à-vis the Euro, a trend that hampers Iceland's capacity to import. As a result, many economic players are very interested in joining, especially the Chamber of Commerce. Fourth, in terms of the security environment, Iceland has not had a US military base since 2006, so Reykjavik is responsible for its own security. This has led to closer cooperation with NATO members within the framework of airspace policing. In conclusion, S.B. Omarsdottir said that Iceland is moving towards decision-time: either there will be a referendum on whether to join the EU or governmental negotiations will have to produce some decision.

B. Thorhallsson complemented these remarks by explaining that the media have moved from being Euro-sceptic towards being Euro-enthusiastic, as a result of editorial changes in each of the four major newspaper. But one condition for membership is that the conservative party becomes pro-European, something which could happen under the pressure from the business community which has threatened to adopt the Euro unilaterally. Crucially, the fishing industry is opposed to membership but wants the Euro because for Iceland to be part of a stable monetary union would guard against currency fluctuations that are detrimental to trade.

Finally, M. Stanicic explored the possible advantages and disadvantages of EU membership for small states in South-East Europe (SEE), including Montenegro and Kosovo. According to the enlargement Commissioner Olli Rehn, the EU will not be complete without SEE. All the countries have expressed their wish to belong to the EU and to NATO, which they often see as convergent goals. Croatia will be the first SEE country to become a fully-fledged member-state of the EU, followed by Macedonia (but the dispute with Greece over its name is delaying the progress) and then Montenegro and Albania.

Serbia's and Bosnia-Herzegovina's path to accession is fraught with numerous difficulties. First, there is the problem of viability in general and governmental control over the state territory in particular, not just border disputes but the three entities in Bosnia-Herzegovina and regional divisions in Serbia. There is a real danger that Bosnia might split into three parts, with the Croatian and Serbian parts joining Croatia and Serbia, leaving a small rump state of Muslims which might be targeted by radicals. Second, the victory of the pro-European and pro-Western party by a small margin at the last two elections in Serbia has sent a powerful signal. However, the country is still in the process of finding its balance. In the past, Serbia was the leader of the Balkans, now it is a small country and the Balkans' 'bad guy' – as a

result of its perceived over-stretch and of taking the wrong side. Now the aspiration of the ruling Serbian elite seems to be to join the EU and abide by liberal standards.

By contrast, S. Devetak took a different line. Between 1976 to 1998, Serbia was the main factor of instability on the Balkans, but since then outside interference has divided this notoriously volatile region. Since the early 1990s, the EU has simply followed the US on Kosovo: a succession of EU envoys from Carl Bildt via Bernard Kouchner to Dimitrij Rupell, who are no experts at all of SEE, have implemented a policy that conforms to that of the USA. In order to defuse the tensions, the EU needs to take a number of steps, including visas, scholarships, cooperation treaties, and above all a concrete perspective. In short, EU policy towards SEE requires, first of all, consistency (i.e. clear targets and objectives), second, the investment of substantial funds and, third, real knowledge about the area and its specificities.

A. Clesse went much further and said that the debate about EU membership everywhere in Europe suffers from an absence of critical thinking; instead, elites in East and West are hypocritical and offer little more than partisan bias. Moreover, in candidate countries, there is a lack of self-confidence and self-esteem, a condition of weakness which the EU is exploiting. At the same time as demanding compliance, Brussels is spreading corruption to countries such as Bulgaria and Romania by way of a complex system of funds and aids that is opaque and open to abuse. So the question is not so much about how corrupt Serbia is but rather whether the EU has been able to buy Serbia and thereby to corrupt it. Finally, the West practices a sinister form of victors' justice whereby any dissenting voice is demonised as criminal and tyrannical. In reality, it is the international community which in Bosnia, Kosovo and Serbia has committed war crimes that should be prosecuted.

Other participants disagreed, saying that the EU has laid down the stringent Copenhagen criteria and the laws that govern the *acquis communautaire* (B. Bucar). What would a more sober, sincere, fair and objective account of the Balkans look like? If not for the EU and NATO, who else would have done anything for the Balkans – perhaps Russia? What about the atrocities that took place in former Yugoslavia? (P. Pantev). In turn, there were participants who challenged this view, contending that the EU risks establishing protectorates in countries such as Montenegro and Kosovo – unless states have political and economic viability. This constitutes an insurmountable obstacle to integration with the EU because before a country can pool sovereignty, it must have been granted sovereignty. Moreover, the dynamism towards sovereignty has to come from within, with some measured international support (R. Väyrynen).

## VI. The future of the model of the European nation-state

The final part of the conference proceedings explored the foundations of the European nation-state and the recent evolution of statehood in the wider Europe. At the outset, A. Clesse raised a number of conceptual questions. First, what makes a state viable? When is a small state viable, not just economically but also politically and socially? Second, 'the voice' of small states (Albert Hirschman) confronts us with an apparent dilemma that we cannot resolve – either they have too much or too little power or influence (e.g. voting power in the Council of Ministers). Does this mean that the search for an equilibrium between small and large member

states is elusive? Third, if this is true, would the objective then have to be the creation of more or less similar nation-states?

D. Criekemans argued that Belgium has been a permanent construction site: two nations and, in addition, one urban area (Brussels) and an area of German-speaking citizens. The distribution of competencies between the federal level, the regions and the autonomous communities (*communautés autonomes*) is perhaps a bigger source of division than the cultural and other tensions between the two nations. There is also an elitist problem, in that the absence of unionist forces (political parties, TV, radio, etc.) is emboldening the secessionist forces on each side. As a result, Belgium is edging closer towards a confederation: in fact, a growing number of confederate elements are already present. However, both sides of the divide may hold back from total independence, for two reasons: Flanders without Brussels would be non-viable and if Belgium as a whole ceased to exist, both constituent nations would loose out.

According to B. Thorhallsson, viability refers to a state's ability or capacity to maintain national sovereignty, including the functions and provisions of basic infrastructure, administration, diplomatic service and international representation. For T. Rostoks, sovereignty and viability are not just limited to demography or the economy but extend to the sphere of "soft" or "smart power". Here it is instructive to draw on the distinction between strong powers and strong states, a conceptual distinction developed by Barry Buzan. Historically, as C. Archer remarked, limits on sovereignty and viability are not connected to smallness: the Vatican is the smallest state in the world and perhaps one of the most viable ones; Russia under Yeltsin was by many measures big but threatened by disintegration; Italy's unity and viability has always been undermined by powerful forces within. Likewise, J. Rood said that the Congo and other countries are certainly large but non-viable. A country's size matters in certain respects, but state capacity is much more complex. If Scotland were to become independent, it would trigger a chain reaction in Europe and elsewhere. Will Kosovo develop into a viable entity capable of functioning within the EU and will Belgium be able to continue as a viable member-state?

Adrian Pabst argued that the forces of globalisation have reinforced economic insecurity and the loss of identity at the national level. For a variety of reason, not least the predominance of neo-liberal policies within the Union, the EU has not been able to arrest this development towards societal and social fragmentation. The question this raises is what the future will be of the nation-state. Paradoxically, globalisation reinforces and extends the logic and model of the nation-state, whereby all mediating institutions between the state and the individual citizens are subordinated to bureaucratic state control and exposed to the free market. As a result, organic societies are undermined and replaced by an abstract social contract between individuals (rather than members of communities). Global civil society is part of this system insofar as it is predicated on the individuality of social actors and subject to the hegemony of the market-state. The diversity of local life and traditional culture gives way to the homogeneity of urban and metropolitan lifestyles. Historically, the EU has portrayed itself as a union of nations that transcends national divisions and seeks to build a trans-national or perhaps even post-national civic identity. If the Union wants to live up to this promise, then it must transform the prevailing institutions of the nation-state, the free market and civil society in the direction of a new compound. One of the most important tasks in this respect is to find



new ways of blending particular political traditions with universal standards of justice and peace.

M. Braun briefly discussed the Westphalian model of territorial sovereignty and offered a typology of the nexus between modernisation and sovereignty in terms of three ideal-types. The first ideal-type can be described as ‘sovereignty unchallenged’ and is perhaps best exemplified by the Nordic countries where modernisation has proceeded within the framework of the nation state and where the EU is seen as an artificial body that hinders modernisation. The second ideal-type, illustrated by the Czech Republic, can be termed ‘sovereignty challenged’ and consists in a form of pragmatism which is centred on concrete economic and social progress: within this framework, EU membership is viewed as a marriage of convenience with advantages and disadvantages. The third ideal-type can be called ‘modernisation unchallenged’ and refers to the Anglo-Saxon experience of rolling back the frontiers of the state and promoting the extension of the free market and accession to the EU, all in the name of reforming the economy and modernising society.

Rainer Kattel argued that two issues have only been discussed in passing but are becoming central to small states in Central and Eastern Europe. First, the phenomenon of Europeanisation, whereby states are experiencing the enormous centralisation of government activity under pressure from Brussels. Second, the problem of administrative capacity: there does not seem to be any theoretical basis for conceptualising administrative capacity in the case of small states because neither Weberian theories nor more recent frameworks can be readily applied to small countries. Moreover, the EU itself is not a good model: if anything, it is counter-productive, since it privileges centralisation and opaque structures that lack intelligibility and accountability.

Imre Lévai said that the EU must confront the discrepancy between its ideal potential and its real capacity. The Union can no longer afford to ignore the academic and public debate about the extent of its borders and the danger of overreach. In this respect, the concept of ‘viability’ is a loose term because it leaves open whether we are talking about a state’s or an entity’s capability of surviving or their ability to adapt to the environment. Or perhaps viability refers to evolution. But if so, then what about the phenomena of involution and devolution?

L. Siedentop raised a number of issues which he thought the conference had not addressed sufficiently. First, might it not be the case that fragmentation at the national level (in Belgium, Spain and the UK) suits Brussels? Second, centralisation dogs not only the EU level but also the national level: how much of it do Europe’s citizens want? Are they given a real choice? Third, some of the topics which the conference did not discuss at all were the question of citizenship, the role of public opinion and the old traditional liberal ideal of government by consent. Do the European elites really want to consult the public, whether by referenda or in direct elections? What sort of citizens are we creating? What sort of political class is emerging? Finally, the US primary season shows that a ‘constitutionalising’ process is indispensable for the future of the EU as a political union, but this is different from a fully-fledged federalism. What Europe as a whole needs is a different debate about the EU’s finality and different terms of debate.

C. Melakopides agreed that the conference had not mentioned a number of key issues, including the EU’s principles and values. Does it make sense to view the Union as a civilian

rather than a military power or is it preferable to see it as a form of pragmatic idealism and a work in progress? Countries such as Cyprus are not analysed by the growing literature on small states and on values. Is not the occupation of 37% of Cyprus a moral scandal? Does that Union have to secure its own values in relation to one of its own member states before it can promote the export of its norms to other parts of the world?

### **Conclusion**

M. Hirsch concluded the conference proceedings by wrapping up the discussions in three points. First, there was wide – though not unanimous – agreement among the participants that discussions of numbers and definitions of size are to a large extent arbitrary – self-perception and perception matter more than allegedly objective criteria such as the size of populations, the economy or state territory. Second, within the present set-up of the EU, there is much scope for small players to take advantage of the relational aspects of the policy-making process (networking, diplomacy, experience, powers of persuasion, etc.). Third, one key challenge for small states is to find ways to improve their record in the area of influencing the EU's decision-making process. More specially, small states need to find like-minded countries in order to increase their clout and in turn this requires joining forces within both formal and informal settings.

Adrian Pabst  
Research Fellow  
LIEIS  
July 2008

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*Luxembourg Institute for European and International Studies (LIEIS)  
in association with the Pierre Werner Institute, Luxembourg (IPW)*

Conference on

## **Small States Inside and Outside the European Union**

*16 and 17 May 2008  
Kochhaus, Schengen (Luxembourg)*

### **PROGRAMME**

#### **16 May 2008: Inside the EU**

**09.00 – 10.45: Session 1: Conceptual framework: Debate about the notion of “smallness”**

Introductory remarks: C. Archer (UK), A. Clesse (L), M. Hirsch (L),  
B. Thorhallsson (ISL), R. Väyrynen (FI)

- a) Focus on the historical development of the notion of “smallness”  
→ Has this notion undergone any significant change in recent years? (in terms of power perception, in terms of power distribution)  
→ Have some states perhaps become somewhat “less small” than others?  
→ Development of the political, historical, economic, social and cultural European context in which small states have existed, survived and prospered.
- b) Focus on the effect of EU membership on small states  
→ Does it affect the potentialities of small states, and if so, in what ways?  
→ Assessment of different reasons which speak in favour of and against EU membership for small states

**10.45 – 11.15:** Coffee Break

**11.15 – 13.00: Session 2: The case of an “old” small state inside the EU: Luxembourg**

Introductory remarks: M. Hirsch (L), J. Santer (L), S. Thines (L)

- a) What resources does Luxembourg have? How does it use these?
- b) How does Luxembourg manage to represent itself successfully inside international organisations?
- c) Luxembourg in: the UEBL



- 
- the Benelux  
the EU (e.g. the Presidency)
- 13.00 – 14.30:** Lunch
- 14.30 – 16.00:** **Session 3: The experience of a “new” small state inside the EU: Slovenia**
- Introductory remarks: C. Archer (UK), B. Bucar (SI), S. Devetak (SI)
- a) Analyse the opportunities and challenges small states faced during the accession process
  - b) Explain the obstacles, as well as opportunities they now face in adapting to the EU’s functioning (the institutions, the Single Market, the Euro, ...)
  - c) Discuss their approach and their solutions to these and other problems
- 16.00 – 16.30:** Coffee Break
- 16.30 – 18.00:** **Session 4: The position of small states inside the EU, before and after the Lisbon Treaty**
- Introductory remarks: M. Hirsch (L), J. Rood (NL), A. Wivel (DK)
- a) Consider the historical development of the position of small states by focusing on the consecutive institutional changes of the Treaties (Rome, Maastricht, Amsterdam, Nice)
  - b) Focus on the developments of the “balance of power” within the EU after the (possible/likely) ratification of the Lisbon Treaty  
→ The power structures and dynamics between small and large member states
  - c) Will small states significantly alter their behaviour, role and position once inside the EU institutions?  
→ What could be possible strategic adaptations or policy shifts of small member states?

**17 May 2008: Outside the EU**

- 09.00 – 10.45:** **Session 5: Small states aspiring towards EU membership**
- Introductory remarks: M. Stanicic (Croatia), S.B. Omarsdottir (ISL)
- a) What are the challenges and problems small European states face as non-EU members?
  - b) What are the incentives they have to join the EU? What are the opportunities and obstacles?
  - c) What is the response of the EU and the EU member states, taking into account the institutional consequences for the EU and smaller EU member states?

**10.45 – 11.15:** Coffee Break

**11.15 – 13.00:** **Session 6: Small states uncertain about joining the EU**

Introductory remarks: L. Goetschel (CH), B. Thorhallsson (ISL),  
R. Väyrynen (FI)

- a) Why have they not joined? Will they ever (want to/be able to) join?
- b) What incentives do they have to either become a member, or remain outside the EU?
- c) What is the position of the EU and the member states?
- d) The cases of Iceland, Switzerland and Norway

**13.00 – 14.30:** Lunch

**14.30 – 16.00:** **Session 7: The future of the model of the European nation-state**

Introductory remarks: M. Braun (CZ), R. Kattel (EE), I. Lévai (HU)

- a) Is the increasing regionalisation and decentralisation of power undermining the authority of the traditional European nation-state?
- b) Does the EU tend to become an organisation of small states?
- c) Is there a tendency of creating ever more, ever smaller ‘entities’?  
→ Consider: current tensions in Belgium, France, Italy, Romania, Slovakia, Spain, United Kingdom, etc.  
→ Reality: extremely high diversity of local and regional cultures and identities on the European continent
- d) Is federalism still a solution for Europe? Can there ever be a “United States of Europe”? Or has the Founding Fathers’ idea evaporated?

**16.00 – 16.30:** Coffee Break

**16.30 – 18.00:** **Session 8: Conclusion and policy recommendations**

- a) Summary of the findings and conclusion of the debates
- b) Policy recommendations



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### **List of Participants**

#### **From abroad:**

- Archer, Clive**, Research Professor; Director, Manchester European Research Institute, Manchester Metropolitan University
- Braun, Mats**, Researcher, Institute of International Relations, Prague
- Bucar, Bojko**, Professor of International Relations, Faculty of Social Sciences, University of Ljubljana
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