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## **United in distinctiveness: the institutionalisation of differentiated integration in economic and monetary union during the sovereign debt crisis**

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## Chapter Four

### Only If You Play by the Norms!

#### *Insider Norms and Outsider Involvement in Eurogroup and Eurogroup Working Group Interaction During the Sovereign Debt Crisis*<sup>10</sup>

##### Abstract

Reflections on the sovereign debt crisis often portray the Eurogroup and Eurogroup Working Group (EWG) as inaccessible for euro area outsiders. Yet, common wisdom suggests that Council representatives can circumvent exclusion due to differentiated integration (DI) by complying with insider norms. This chapter studies whether and how compliance with procedural norms socialised amongst representatives from euro area member states (EAMS) determined patterns of non-EAMS involvement in Eurogroup and EWG interaction during the sovereign debt crisis. The argument highlights the role of deliberation and consensus-building norms, suggesting that they gained particular robustness amongst EAMS representatives. Those non-EAMS representatives who consistently complied with these insider norms could secure involvement in intergovernmental debates amongst EAMS. Exclusion was mostly relevant to norm violators. This chapter sheds light on the institutional consequences of DI in Economic and Monetary Union, highlighting its structural effects on governance and decision-making processes during the sovereign debt crisis.

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## **Introduction**

Studying the relationships between member states of the European Union (EU) during the sovereign debt crisis, scholars foremost concentrated on internal divisions and conflicts amongst euro area member states (EAMS) (e.g., Laffan, 2017; Schimmelfennig, 2015b). Yet, the relationship between insiders and outsiders of the euro area is hardly studied. In particular, regarding the involvement of non-EAMS representatives in policy debates and decision-making processes during the crisis, insights are rare and fragmented. This shortcoming in the academic debate adds to the overarching research gap on the institutional consequences of differentiated integration (DI) in the EU (Schilin, 2022; Schimmelfennig & Winzen, 2020, p. 194). The present chapter studies patterns and factors of non-EAMS involvement in Eurogroup and Eurogroup Working Group (EWG) interaction during the sovereign debt crisis. Thus, it contributes to shedding light on how DI reshapes governance processes in respective policy areas, particularly under the circumstances of crises.

The Eurogroup and EWG evolved into the most critical bodies for debates about and decisions on Economic and Monetary Union (EMU) reforms during the sovereign debt crisis (Puetter, 2016; Schlosser, 2019, pp. 88-95). To date, mostly individual stories and anecdotes have fed academic insights on whether and how non-EAMS were involved in these meetings. They suggest that the euro area bodies worked as fortresses with insurmountable walls for all euro area outsiders. During Poland's Council presidency in 2011, the Polish Finance Minister, Jacek Rostowski, asked to attend Eurogroup meetings (Puetter, 2014, p. 170). Eventually, he attended one telephone conference in July 2011 but was excluded from subsequent meetings. In the debate on the Single Supervisory Mechanism (SSM), non-EAMS representatives had to join forces with the EP's Committee on Economic and Monetary Affairs to make their voices heard (Howarth & Quaglia, 2013, p. 114).

Concerns about national representatives being excluded and losing influence due to DI are common. In several cases, political leaders warned against opt-outs, arguing that they would hamper national representatives' influence on both daily affairs of EU governance and the prospect of European integration more generally (Bulmer, 2008; Marcussen, 2005; Wallace, 2000). Adler-Nissen (2014) explains how opt-outs might lead to the exclusion of national representatives from relevant Council committees and working groups. Yet, empirical studies have proven such concerns ill-founded. Adler-Nissen (2009) finds that representatives from Denmark and the United Kingdom (UK) could maintain involvement in the Justice and Home Affairs Council despite their country's opt-out from the policy area. Comparing the professional networks of representatives in committees and working groups of the Economic and Financial Affairs Council (ECOFIN), Naurin and Lindahl (2010) find that Danish, Swedish and UK representatives had higher network capital than counterparts from equivalent EAMS. These studies suggest that involvement in governance processes is not predetermined by a country's status regarding DI but is constantly re-considered amongst Council representatives. Although several factors can help outsider representatives stay involved, compliance with insider norms seems to be the most important. If representatives do not adapt to their country's outsider status but remain acting as an insider, they are more likely to maintain involvement and political influence (Svendsen & Adler-Nissen, 2019).

This chapter aims to resolve the contradiction between insights about non-EAMS exclusion during the sovereign debt crisis and the academic debate on outsider involvement under the circumstances of DI. It studies whether, and if so, when, non-EAMS representatives could ensure involvement in Eurogroup and EWG interaction through compliance with norms adopted amongst EAMS. Before the sovereign debt crisis, Eurogroup members routinised deliberation and consensus-building (Puetter, 2006). Building on Deitelhoff and Zimmermann (2019), this chapter analyses the robustness of these procedural norms during the crisis. It is argued that intensive interaction and uncertainty triggered socialisation processes amongst

EAMS representatives, helping deliberation and consensus-building norms to maintain their robustness. Compliance with these norms evolved into a key expectation EAMS representatives held against themselves. These role-specific expectations also affected patterns of non-EAMS involvement. Those non-EAMS representatives who engaged constructively in policy debates and helped facilitate consensus-building maintained regular involvement in intergovernmental debates amongst EAMS. Exclusion was mostly relevant to those non-EAMS representatives who violated insider norms. The chapter draws on 39 semi-structured elite interviews to test this argument empirically.

This chapter proceeds as follows. The following section reviews the relevant concepts of norm socialisation and explicates the theoretical argument. The third section elaborates on data collection and methods of analysis. The fourth and fifth sections discuss empirical findings on deliberation and consensus-building norms in the Eurogroup and the EWG and their effect on non-EAMS involvement during the sovereign debt crisis. The final section summarises the chapter's main conclusions and discusses implications for future research.

### **The Relationship Between Insider Norms and Euro Area Outsider Involvement**

Earlier research has highlighted the importance of compliance with insider norms for outsiders to maintain involvement in insider interaction despite DI. This chapter argues that deliberation and consensus-building norms stayed robust during the sovereign debt crisis and shaped how EAMS representatives defined a good insider. Thus, compliance with these procedural norms became a significant factor in securing involvement in EAMS interaction.

Constructivist scholars conceptualise negotiations in the Council as 'embedded in a rich framework of formal and informal norms and rules' (Elgström & Smith, 2000, p. 676). These studies suggest that rather than representing pure national preferences, representatives follow a logic of appropriateness (March & Olsen, 1989). This dissertation defines norms as (uncodified)

rules determining what is considered appropriate in a social context and what actors expect from each other (Finnemore & Sikkink, 1998). Moreover, it distinguishes between procedural and constitutive norms (Michalski & Danielson, 2020). The former refers to habitual norms that national officials follow in their daily interaction within Council committees, such as the consensus-building norm (Aus, 2008; Lewis, 2005; Novak, 2013). By contrast, constitutive norms refer to foundational values determining the identity of national officials and their understanding of their shared role vis-à-vis European integration.

National officials internalise norms through socialisation. Socialisation is a process in which individuals become familiarised with and adopt intersubjective understandings of appropriate behaviour, roles, and perceptions within a social environment (Johnston, 2001). This definition abstains from any further distinctions between different types of socialisation (Checkel, 2005), as recent studies indicate that measuring the intensity of these processes is almost impossible (Beyers, 2010). In general, socialisation requires frequent and intensive interaction amongst involved individuals. Particularly, if national officials meet on an almost daily basis within varying formats, including telephone or video conferences, to discuss consequential policies, interaction ‘encourages a dense form of collegiality and collective identity’ (Hayes-Renshaw & Wallace, 2006, p. 46). Furthermore, national officials are more open to socialisation when they experience cognitive uncertainty due to crises or policy failures (Checkel, 2005).

Some studies have questioned the actual relevance of socialisation at the European level. They assessed socialisation processes in national contexts more effectively (Beyers, 2005) or found limited evidence of a European identity, even in the Commission (Hooghe, 2005). Yet, scholarship has gathered broad evidence from different policy areas, suggesting that procedural norms play a significant role in Council committees and working groups (Aus, 2008; Juncos & Reynolds, 2007; Lewis, 2005). In the area of Common Foreign and Security Policy (CFSP), they have proven resilient, withstanding even the latest instances of contestation related to the politicisation of European integration (Juncos & Pomorska, 2021).

The Eurogroup and EWG have experienced continuous formalisation since their establishment. Starting as an informal dinner format where Finance Ministers could discuss currency area issues insulated from the public, the Eurogroup evolved into the critical format hosting deliberation and decision-making processes amongst EAMS (Hodson, 2011, pp. 39-53). The establishment of the Eurogroup presidency in 2004 and the Eurogroup's official recognition in the EU treaties in 2009<sup>11</sup> might be the most significant steps in this process. The EWG serves as the Eurogroup's preparational body and gathers on the evenings before the meetings of the Economic and Financial Committee (EFC). It consists of those state secretaries and treasurers representing the EAMS to the EFC and is chaired by a permanent president.

Puetter (2006) finds that EAMS representatives routinised two norms during their interaction in the Eurogroup: deliberation and consensus-building. They can be classified as procedural norms. Although deliberation and consensus-building are often discussed as two sides of the same coin, the two norms must be distinguished in their definitions. Deliberation refers to the type of arguments that Council representatives mobilise in negotiations. Notably, studies have demonstrated that communication styles highlighting purely strategic considerations are not well perceived within Council committees. Instead, representatives expect each other to use policy-related arguments and honestly work towards effective policies (Lewis, 2005). At the same time, consensus-building refers to the more general attitude within negotiations. It asks participants to abstain from forceful measures in negotiations, such as blockade or majority voting (Juncos & Pomorska, 2011, p. 1105). Instead, they carefully consider all positions and strive to find an agreement that satisfies everyone's concerns (Aus, 2008; Lewis, 2005).

This chapter argues that deliberation and consensus-building norms amongst EAMS representatives have maintained their robustness during the sovereign debt crisis. Two factors

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<sup>11</sup> Protocol 14 of the Treaty of the EU

have facilitated this development. First, EAMS representatives interacted almost daily during the most critical period between February 2010 and July 2012, gathering in telephone conferences, video calls or in-person meetings. They negotiated the details of EMU reforms on all levels, and often meetings lasted long into the night (Puetter, 2014, pp. 155-161; Schlosser, 2019, pp. 88-95). This frequent and intensive interaction in the insulated Eurogroup and EWG contributed to accelerating socialisation processes, strengthening the deliberation and consensus-building norms.

Second, uncertainty and urgency further facilitated the socialisation of consensus-building and deliberation norms. Although there were several warnings about the inherent problems of the euro area governance system (Verdun, 2010), the crisis was still a shock for policymakers. EAMS representatives needed to revamp essential components of EMU governance urgently to avoid economic losses and disintegration (Schimmelfennig, 2015b, Niemann & Ioannou, 2015). They introduced unprecedented instruments without certainty whether their measures would ease the pressures from the international bond markets. Furthermore, representatives made decisions under immense time pressure. For producing effective and quick solutions within this insecure context, the EAMS were required to reliably produce quick and unanimous agreements amongst all parties involved (Puetter, 2016). Thus, intensive interaction and uncertainty strengthened the deliberation and consensus-building norms. EAMS representatives integrated the procedural norms into their understanding of appropriateness and expected everyone involved in EMU reform negotiations to comply.

The robustness of the deliberation and consensus-building norms amongst EAMS representatives directly affected patterns of non-EAMS involvement in Eurogroup and EWG interaction. EAMS representatives started considering compliance with these procedural norms as an essential asset of the ideal euro area insider. Thus, when EAMS representatives assessed whether non-EAMS representatives were similar to them and, therefore, qualified to be involved in their informal interaction, they considered their compliance with deliberation and



consensus-building norms. If non-EAMS representatives wished to gain insights or be involved in the intergovernmental debate, they needed to demonstrate that they do not disrupt deliberation and consensus-building processes. Only then would EAMS representatives consider them similar to themselves and trustworthy. Thus, norm compliance was a significant factor for non-EAMS to secure involvement in intergovernmental debates amongst EAMS during the sovereign debt crisis. Non-EAMS representatives who complied with deliberation and consensus-building were better involved than those who violated these norms.

### **Measuring Insider Norm Robustness and Euro Area Outsider Involvement**

Several studies have demonstrated that elite interviews are an effective method to study norms amongst Council representatives (Adler-Nissen, 2014; Aus, 2008; Juncos & Pomorska, 2011; Juncos & Reynolds, 2007; Lewis, 2005). Through interviews, researchers can gain insights into policymakers' personal perceptions, which is crucial to understanding their logic of appropriateness (Adler-Nissen, 2016b). This chapter presents findings from data collected in 39 semi-structured elite interviews conducted with participants who served in EAMS and non-EAMS delegations to ECOFIN and the EFC between 2010 and 2015. Interviewees also include officials within the Council Secretariat and the Commission. Because the empirical data were collected during the COVID-19 pandemic, all interviews were conducted online. For triangulation, the analysis also considers data collected in the Horizon 2020 'EMU Choices' project. Affiliated scholars have produced the EMU Formation dataset, including transcripts of 141 interviews with national officials from 28 EU member states.<sup>12</sup> Interview questions mostly focus on the formation and interaction of member states' positions in contested issues of fiscal integration. Still, the EMU Choices interviews allow validating findings from the self-conducted interviews, particularly regarding the cooperative behaviour amongst EAMS

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<sup>12</sup> The EMU Choice Formation dataset can be accessed here: <https://emuchoices.eu/data/emuf/> (Last Access: 9 August 2023)

representatives and the impact of non-membership in the euro area. Finally, memoirs published by policymakers involved in EMU reform negotiations during the sovereign debt crisis and evidence from other studies contribute to triangulating the findings.

The interviews are analysed in two steps. First, the robustness of deliberation and consensus-building norms in the Eurogroup and EWG during the sovereign debt crisis is assessed. Following Deitelhoff and Zimmermann (2019), assessing a norm's robustness requires considering two perspectives. From a practice perspective, norms are strengthened through facticity. They can be classified as relevant only if actors comply with norms and let them guide their behaviour. On the contrary, when actors excessively violate a norm, it has no significant relevance in the social environment. At the same time, a discourse perspective stresses validity. A norm is strengthened if it enjoys 'widespread verbal acceptance' (p. 6) and its claims are taken for granted. To combine facticity and validity, Deitelhoff and Zimmermann propose a four-dimensional framework analysing norm robustness through the practice-based dimensions of compliance (Dimension 1) and implementation (Dimension 2) as well as the discourse-based dimensions of concordance (Dimension 3) and third-party reactions to norm violations (Dimension 4). Juncos and Pomorska (2021) have demonstrated the usefulness of this framework when assessing the robustness of procedural norms within negotiations on CFSP cooperation in the Council.

The four analytical dimensions of compliance, implementation, concordance and third-party reactions to norm violations are operationalised as follows. First, assessing compliance with deliberation and consensus-building norms, the chapter analyses interviewees' reflections on Eurogroup and EWG meetings during the sovereign debt crisis. If the norms are robust, interviewees report that EAMS representatives expected each other to mobilise policy-related arguments and take into consideration the concerns of others. Second, regarding norm implementation, EAMS representatives are expected to enforce new practices and measures in Eurogroup and EWG meetings to facilitate deliberation and consensus-building. For example,

Puetter (2014, p. 163) finds that in ECOFIN, presidencies expanded informal breakfast formats to facilitate informal talks amongst ministers. Third, assessing concordance it is analysed whether interviewees believe in the legitimacy of these procedural norms and why they ask colleagues to comply. If the norms are robust, interviewees express a strong belief in the necessity to behave cooperatively, particularly considering the specific situation they faced during the sovereign debt crisis. Fourth, regarding third-party reactions to norm violations, it is investigated whether and how consistently EAMS representatives sanctioned behaviour hampering deliberation or consensus-building. Relevant sanctions can include withholding essential information or the replacement of norm-violating individuals.

In the second step, the chapter analyses whether and how compliance with deliberation and consensus-building norms helped non-EAMS representatives to become involved in EAMS interaction. Evidence corroborating the theoretical expectations includes responses from EAMS interviewees praising individual non-EAMS colleagues for constructive contributions to policy debates. Furthermore, EAMS interviewees are expected to express a high willingness to keep norm-compliant colleagues from non-EAMS updated about ongoing debates, engage in regular exchanges or even invite them to individual Eurogroup and EWG meetings. At the same time, EAMS interviewees will express explicit disappointment about non-EAMS representatives delaying or disrupting consensus-building. Non-EAMS interviewees are expected to report higher involvement in EAMS interactions if they share the deliberation and consensus-building norms and explicitly highlight their relevance. By contrast, non-EAMS interviewees who highlight national interests will experience lower involvement and report incidents of exclusion. The theoretical expectations are falsified if interviews indicate that patterns of non-EAMS involvement in EAMS interaction worked independently of compliance with deliberation and consensus-building norms. For example, norm-violating representatives could be regularly invited to Eurogroup and EWG meetings for political reasons. Moreover, non-EAMS representatives could experience universal exclusion independently of their norm compliance.

## **Deliberation and Consensus-Building in the Eurogroup and Eurogroup Working Group**

The interviews suggest that EAMS representatives showed high compliance (Dimension 1) with the deliberation and consensus-building norms during the sovereign debt crisis. Even though they hardly stated the expectation explicitly, Eurogroup and EWG attendees were committed to finding common positions (Interviews 3, 10). Therefore, instead of insisting on their national perspectives, they tried to be open to different positions and show flexibility in their views. This explicit openness particularly manifested itself in the practice of attending meetings without a manuscript (Interviews 1, 3, 15). Instead of reading out prepared statements, EAMS representatives were careful to speak frankly, respond to each other's concerns directly and refer to economic arguments (Interviews 1, 7, 12, 23). Sometimes, representatives used the informal meetings for emotional statements beyond diplomatic etiquette (Interviews 10, 12). The open and direct interaction did not undermine the critical role of national interests. In fact, the new quality of reforms implemented during the crisis and the public attention motivated national ministries to provide their delegates with concrete and strict instructions (Interview 23). However, these tighter reins were compatible with cooperative bargaining and consensus-building. Some interviewees even defined the tasks of a good representative as communicating national positions precisely, listening carefully to other perspectives, and eventually working constructively towards combining the positions into one coherent approach (Interviews 12, 17). The EMU Choices dataset provides similar evidence, indicating that EAMS representatives communicated national positions constructively and were careful to protect consensus-building processes (EMU Choices Interviews STO02, STO13). Finally, the high compliance to the consensus-building norm manifested itself in the extensive length of Eurogroup and EWG meetings. No participant left the room until an agreement was found, even if negotiations lasted until late into the night (Interviews 18, 32).

Several measures and practices facilitated the implementation (Dimension 2) of deliberation and consensus-building norms during the sovereign debt crisis. When describing why the working atmosphere in the Eurogroup and the EWG was constructive, interviewees consistently highlighted the relatively low number of participants. In both formats, representatives could not bring more than one assistant (Interviews 3, 14, 15, 16). No assistants were allowed at the EWG dinners, where state secretaries discussed particularly sensitive issues (Interviews 17, 18). Interviewees indicated that this limitation of participants facilitated personal relationships and helped ensure honest debates (Interviews 1, 7). Another important factor was the expectation to adhere to ‘verbal discipline’ (Interview 7). In any public communication, Eurogroup and EWG attendees were supposed to reveal as few details as possible regarding the positions of individual member states, the content of discussions or who made which concessions on which issues (Interviews 7, 17, 32). Furthermore, representatives expected each other to avoid sharing any information on possible outcomes that could disrupt ongoing negotiations. This complementary confidentiality norm further contributed to the insulation of Eurogroup and EWG meetings from national audiences, providing representatives with the freedom to speak honestly and credibly, identifying room for concessions (Interviews 7, 12). Finally, the common language facilitated deliberation and consensus-building. Several interviewees confirmed that EAMS representatives spoke English only during Eurogroup and EWG meetings (Interviews 1, 10, 12). Thus, they could express themselves in their words and get immediate responses without disruptions from translation. Furthermore, it allowed EAMS representatives to hold meetings without interpreters, further reducing the effective number of participants (Interviews 10, 18).

Regarding concordance (Dimension 3), EAMS representatives considered compliance with deliberation and consensus-building norms indispensable to cope with the peculiar situation they faced during the sovereign debt crisis. Interviewees agreed that the crisis threatened the currency area in its very existence (Interviews 3, 7, 17, 23). Without radical reforms, they feared

it would not withhold the market pressure and eventually dissolve. Under these circumstances, EAMS representatives expected everyone to show political flexibility and act cooperatively, only committed to ensuring the euro's survival. Particularly considering the unprecedented scope and complexity of reforms in financial assistance or banking supervision (Interviews 7, 12, 23), representatives expected each other to negotiate with a problem-solving attitude. Insisting on national positions was considered inappropriate (Interviews 10, 32). Interviewees considered compliance with deliberation and consensus-building norms necessary to accelerate decision-making processes (Interview 23). This effect further added to the norms' legitimacy as EAMS felt immense pressure to keep up with the speed of international bond markets (Interview 3).

Regarding third-party reactions (Dimension 4), the interviews suggest that violations or undermining acts to the deliberation and consensus-building norms were rare. EAMS representatives internalised a strong sense of community, making them careful not to disappoint their colleagues' expectations (Interviews 7, 16, 18). In the few cases in which individuals disrupted deliberation or delayed consensus-building, norm violators were confronted with consequential discursive sanctions. Colleagues became more hesitant to talk openly about their red lines and reduced interaction to the bare minimum (Interviews 1, 10). EAMS had to replace norm-violating representatives as soon as possible to maintain influence and contain political damages to the euro area formats in general. These severe implications became evident in the probably most prominent case of norm violation during the sovereign debt crisis. In 2015, the then Greek Minister of Finance, Yanis Varoufakis, participated in Eurogroup negotiations on the third bailout package for Greece. He undermined the consensus-building norm by openly supporting the 'No' campaign in the Greek national referendum on the bailout package and challenged the confidentiality in the Eurogroup by recording meetings.<sup>13</sup> Other ministers

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<sup>13</sup> The audio files and transcripts of the meetings Varoufakis recorded are available online at <https://euroleaks.diem25.org/> (Last Access: 9 August 2023).

condemned his behaviour strongly, and eventually, the Greek prime minister, Alexis Tsipras, removed him (Puetter, 2016, p. 609).

To summarise, interviews suggest that deliberation and consensus-building norms were robust in Eurogroup and EWG meetings during the sovereign debt crisis. Not only did EAMS representatives demonstrate high compliance, but they also introduced specific practices and measures facilitating the norms' implementation. A clear commitment to deliberation and consensus-building was considered indispensable to cope with the existential threat the crisis exposed to the single currency area. Norm violations were considered a threat to the shared mission and, thus, consistently followed by rapid and consequential sanctions.

### **Norm Compliance and Euro Area Outsider Involvement During the Sovereign Debt Crisis**

How has the robustness of deliberation and consensus-building norms affected non-EAMS involvement in intergovernmental debates amongst EAMS during the sovereign debt crisis? The interviews from both the dissertation and the EMU Choices project suggest that non-membership in the euro area generally worked as a systematic impediment to involvement. All non-EAMS interviewees reported that they faced major problems staying informed about debates and decisions in the Eurogroup and the EWG, let alone making their voices heard. These troubles significantly affected the political influence non-EAMS representatives could exert on EMU reforms. In Eurogroup and EWG meetings, EAMS representatives not only designed and managed financial assistance packages but also created reform agendas for EMU governance more generally. Several interviewees indicated that EAMS representatives used the informal formats to strike political agreements and relied on the consensus amongst EAMS when working on legislative pieces within the EFC or ECOFIN (Interviews 1, 3, 16). Thus,

lacking formal access to Eurogroup and EWG meetings, non-EAMS representatives were excluded from significant deliberations (Interviews 7, 23).

To respond to Polish and UK appeals for more inclusion (Interviews 5, 13), the Eurogroup and EWG presidents introduced information mechanisms to keep non-EAMS representatives updated. ECOFIN and EFC gatherings usually started with a debrief carried out by the chair of the equivalent euro area body. On average, they lasted 10–15 min and consisted of a quick overview of agreements reached amongst EAMS representatives the evening before (Interviews 1, 5, 7, 32). Non-EAMS representatives could ask any questions. Yet, in correspondence with the confidentiality norm, they rarely received additional information to what EAMS representatives reported at press conferences (Interviews 6, 20, 26, 30). Moreover, the Eurogroup and EWG presidents were careful to contact and be available for non-EAMS officials (Interviews 1, 3, 16). The former Eurogroup president, Jeroen Dijsselbloem, even claims he travelled to all countries outside the euro area to speak with government officials (2018, p. 18). Moreover, several non-EAMS interviewees reported that they could rely on the EWG president to provide extensive information on current debates and listen to their thoughts (Interviews 5, 8, 31). These reports align with the reflections of the former Bulgarian Finance Minister, Simeon Djankov, whose book on the sovereign debt crisis (2014) contains numerous references to personal interactions with the then Eurogroup president Jean-Claude Juncker.

Despite the openness of the Eurogroup and EWG presidents, non-EAMS representatives had limited insights, and they needed to exploit additional informal channels. Foremost, they used personal contacts with EAMS colleagues involved in Eurogroup and EWG delegations. One non-EAMS interviewee compared their situation with that of lobbyists because they had to ask other policymakers for information and insights (Interview 4). In these bilateral interactions, geographical proximity was a significant factor. Non-EAMS representatives often contacted their counterparts in neighbouring countries as the first points of contact (Interviews 6, 8, 19, 30, 32).



Furthermore, they established collective formats to share and consolidate information. Several interviewees confirmed that all non-EAMS ministers participated in regular dinner meetings on the evenings before ECOFIN meetings. If the ministers could not participate, they were substituted by the respective state secretaries. Although the present study and the EMU Choices dataset contain contradicting evidence about the initiators (Interviews 5, 8, 13; EMU Choices Interview BUD07), interviews consistently indicate that the non-EAMS permanent representations took turns in organising the dinners. Usually, dinners were held without a specific agenda and due to the significant ideological differences, political coordination was rare (Interviews 5, 20, 30). Their primary purpose was to provide the ministers with an informal setting where they could exchange views and information about the discussions among their EAMS colleagues (Interview 6).

The separation of non-EAMS representatives from policy debates amongst EAMS aligned with a particular crisis perception amongst elites. National officials perceived the sovereign debt crisis foremost as a euro area crisis (see also Chapter Five). Interviewees consistently reproduced narratives highlighting deviations of the euro area from an ideal currency area. They suggested that the sovereign debt crisis resulted from shortcomings in the euro area's governance architecture. Thus, it was the EAMS' task to provide solutions and reform proposals (Interviews 3, 7, 17, 23). Non-EAMS interviewees also reproduced such narratives stressing the role of EAMS in crisis management (Interviews 4, 8, 9, 28). Other arguments highlighting the higher financial commitments (Interviews 6, 20) added to the elite perception. If EMU reforms failed, this would mostly hurt the EAMS. Non-EAMS would not face severe consequences because they either did not face the same difficulties or have abstained from heavy financial commitments. Considering these differences, interviewees from both groups recognised the need of EAMS for exclusive formats to handle their affairs without non-EAMS interfering (Interviews 1, 6, 10, 31; EMU Choices Interview STO24).

There are also examples of non-EAMS representatives circumventing the opaque walls around the euro area formats. The interviews suggest that, in particular, Danish and Swedish officials could regularly secure involvement in policy debates amongst EAMS despite lacking formal access to the Eurogroup and EWG. They raised their concerns and interests through special channels, and they could be sure that EAMS would take them into account. Furthermore, there are several instances in which they could join individual EWG meetings.

A good example illustrating the special involvement of Danish and Swedish representatives in EAMS interaction is the deliberations on the European Banking Union (EBU) after the Commission published its first proposal for the SSM (European Commission, 2012) in September 2012.<sup>14</sup> Denmark and Sweden criticised the proposal for limiting membership to EAMS and providing a central role to the European Central Bank (ECB) (Howarth & Quaglia, 2013, p. 114). Furthermore, they were concerned about losing influence in other contexts of European banking regulation as EBU members might act as a block (Interview 8). Whereas EAMS discussed the legislative drafts in Eurogroup and EWG meetings, Danish and Swedish state secretaries participated in the intergovernmental debate from the beginning (Interviews 1, 10, 11, 16). They raised their demands in weekly consultation meetings with dedicated delegations of EWG representatives (Interviews 1, 8, 28, 31). Furthermore, Danish and Swedish officials actively used their close ties to individual EAMS representatives, particularly from Germany, the Netherlands or Finland (Interviews 3, 8, 10, 31). EAMS were willing to accommodate Danish and Swedish concerns and made significant concessions, such as providing non-EAMS with veto power in the European Banking Authority (EBA) (Interviews 8, 12) or an option to join the EBU (Interviews 7, 28, 31). Finally, several interviewees confirmed that officials from the Swedish Ministry of Finance and the Swedish banking supervision authority were regularly invited to EWG meetings. They advised EAMS

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<sup>14</sup> The respective regulations on the SSM and the Single Resolution Mechanism have been adopted in the ECOFIN meetings on 15 October 2013 and 9 December 2013.

policymakers on banking supervision and resolution, sharing the expertise they gained during the Swedish financial crisis in the 1990s (Interviews 1, 7, 10, 27).

Indeed, interviews indicate that the deep involvement of Swedish and Danish officials in policy debates amongst EAMS was related to their high and consistent compliance with the deliberation and consensus-building norms. Referring to the Danish membership in the fixed exchange rate mechanism (ERM II), interviewees from Denmark consistently described their country as ‘the secret member of the euro area’ (Interview 30). From this perception, they concluded they must behave constructively and contribute to all debates on EMU reforms (Interviews 28, 31). Furthermore, Danish interviewees stressed that their country was keen to participate in EMU reforms wherever it could and, if necessary, explicitly asked for mechanisms enabling participation (Interview 30). This finding aligns with the evidence presented by Adler-Nissen (2014, pp. 105-107), suggesting that Danish representatives are keen to compensate for euro area non-membership through cooperative behaviour. Regarding the EBU, Denmark considered participation from the start (Interviews 22, 31). Therefore, Danish officials could make a credible claim that they are interested in the policy debates and strive for a good outcome.

Sweden was more hesitant to commit to participation in the EBU. Yet, Swedish representatives felt they could not rule out the policy under any conditions. Similar to the five economic tests the UK treasury presented in 1997 to evaluate the UK’s readiness to join the euro area, the Swedish Ministry of Finance defined five criteria to be fulfilled for Sweden to join the EBU (Interview 8). Next to the EBA voting modalities, these criteria included accountability mechanisms to national parliaments in the SSM or equal representation at the ECB’s Supervisory Board. Swedish officials engaged in intensive negotiations with their EAMS colleagues to work on an honest assessment of whether there was room for fulfilling these criteria. When Sweden eventually decided against participation in the EBU, Swedish representatives stressed that they gave it a real chance.

EAMS representatives appreciated Danish and Swedish efforts to make valuable contributions to policy debates and perceived representatives from these countries as credible allies in building better EMU governance structures. Given this perception, they saw no problem involving Danish and Swedish colleagues in their debates. EAMS representatives were confident they would behave as well as themselves and play by the rules. Involvement, thanks to norm compliance, was not exclusive to these two countries. Also, a Hungarian interviewee reported that during the country's presidency in 2011, Hungarian representatives were involved in EAMS interaction through regular informal meetings with the Eurogroup and EWG presidents after establishing themselves as an honest broker seriously interested in achieving good EMU reforms (Interview 24). The following quote illustrates how norm compliance affected EAMS attitudes on non-EAMS involvement (Interview 11): '[...] if everybody has the same motivations and tries to work towards the same objectives, you know if there comes a new person and says: "Hey guys. I find it really interesting what you're doing and I want to contribute to solving that problem too." you say: "Okay. Well, you know, you're welcome to join." So if other countries with other approaches – even if they have not been a member of the family for a long time – say: "Okay. I want to help you guys" you welcome them in.'

Further evidence for the critical role of norm compliance in facilitating non-EAMS involvement in EAMS interaction can be acquired by looking into negative examples. In particular, interviewees from the UK and Poland reported isolation. Although they participated in the ECOFIN and EFC meetings, they felt that the real debate about EMU reforms took place in venues to which they had no access (Interviews 5, 26). Indeed, EAMS interviewees confirmed that they avoided involving representatives from these countries in their intergovernmental debates and shared insights only on request or when necessary due to legislative processes. The interviews suggest that the isolation of representatives from these countries from intergovernmental debates amongst EAMS was related to their unconstructive and disruptive behaviour. Spontaneously and in rich detail, interviewees described episodes in

which the uncooperative behaviour of UK representatives delayed urgent reforms and actions. Memorised events include the UK's veto to the Fiscal Compact or the request for political guarantees that non-EAMS would not be held accountable for money transferred to Greece from the European Financial Stability Mechanism in 2015 (Interviews 1, 3, 23, 27). Also, in the ECOFIN and EFC negotiations on the EBU, UK representatives were perceived as focusing on their national interests and protecting the British banks rather than genuinely contributing to the policy debate (Interviews 1, 7). These findings align with the conclusions presented by Adler-Nissen (2016a), suggesting that the UK's approach to the euro outsidership was particularly confrontative. Polish representatives were confronted with similar allegations. Several EAMS interviewees expressed frustration that in the negotiations on the six-pack, Polish representatives significantly delayed consensus-building by insisting on particular issues resulting from the unique architecture of the Polish pension system (Interviews 10, 11).<sup>15</sup> These negative experiences impeded the involvement of the UK or Polish representatives in policy debates amongst EAMS. EAMS representatives noticed that representatives from these states had no problem breaching their internal norms. Given their already controversial debates, they wished to avoid extra hurdles, especially as they came from actors who were not even part of the euro area (Interviews 10, 11, 23).

Finally, the relevance of norm compliance for non-EAMS involvement is supported by efforts amongst non-EAMS to challenge stereotypes and distance from norm violators. As the member state with the largest economy and the most political weight, EAMS representatives often perceived the UK as the non-EAMS leader. Several EAMS interviewees expressed the perception that in ECOFIN and EFC meetings, non-EAMS representatives hid behind the UK (Interviews 1, 7, 10). However, as EAMS representatives increasingly perceived UK representatives as openly undermining deliberation and consensus-building norms and reduced

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<sup>15</sup> The regulations and directives relevant to the six-pack have been discussed in multiple ECOFIN meetings between Fall 2010 and Spring 2011.

the UK's involvement in intergovernmental debates, other non-EAMS representatives became concerned about contagion. They started to distance themselves from their UK colleagues. Again, primarily Danish and Swedish representatives made an effort to define independent positions during ECOFIN meetings, highlighting their dedication to constructive debates on feasible solutions and their openness towards participation in EMU reforms despite euro outsidership (Interviews 20, 31). Danish interviewees also reported concerns about whether their ministers should participate in the non-EAMS dinner meetings (see above). Whilst eventually, they decided to participate, they feared it might undermine Denmark's reputation as a cooperative country (Interview 30). Interviewees from the UK also noticed that other non-EAMS representatives were eager to avoid association (Interview 5).

As an alternative explanation for the deep involvement of Danish and Swedish in EAMS interaction, one could consider the interests these countries share, particularly with creditor countries. Interviewees from both countries consistently stressed their governments' political proximity to German, Dutch and Finnish positions on various political issues, ranging from fiscal discipline to banking regulation (Interviews 8, 28, 31). They perceived themselves as part of a Northern European network of EAMS and non-EAMS united by similar ideas on economic and fiscal governance. Although Dutch and German interviewees were hesitant to validate the existence of such a network, they confirmed the close relationships (Interviews 3, 10, 25). However, although these ideological connections to powerful creditor countries might have facilitated Danish and Swedish access to EAMS interactions, they cannot be the dominant factor. Given their contradictory stance on fiscal policies, Danish and Swedish participation in the intergovernmental debate was not in the interest of France, Italy and Spain. Still, interviewees from these countries approved the deep involvement of Danish and Swedish representatives and expressed explicit appreciation for their contributions (Interviews 12, 23, 29). This approval contrasts the usual reluctance of particularly France and Italy to allow non-EAMS participation in Eurogroup and EWG meetings (Interviews 10, 17, 29).

Another alternative explanation might be found in the capabilities of individual officials to build and nurture professional networks. Naurin and Lindahl argued that high network capital and reputation amongst EAMS colleagues in the Council helped Danish and Swedish officials to stay involved in policy debates before the sovereign debt crisis (see above). Indeed, the interviews confirm these findings. On several occasions, EAMS interviewees praised Danish and Swedish officials for their extraordinary expertise, high communication skills and large professional networks (Interviews 1, 7, 12). Yet, if these assets were the main factors providing Denmark and Sweden with access to policy debates amongst EAMS, it would raise the question of why they did not have the same effect for UK officials. Several interviewees expressed high regard for their UK colleagues, describing them as highly knowledgeable, well trained and deeply embedded within the relevant networks. Still, interviewees from the UK treasury reported that they felt increasingly isolated from intergovernmental debates amongst EAMS (see above).

To summarise, the interviews indicate that compliance with the deliberation and consensus-building norms significantly affected non-EAMS involvement during the sovereign debt crisis. Gaining insights from Eurogroup and EWG meetings became increasingly difficult for all non-EAMS representatives. Yet, norm compliance made a difference. Danish and Swedish representatives could secure regular involvement in EAMS interaction by behaving like an insider and making significant contributions to policy debates. At the same time, representatives who disrupted deliberation or delayed consensus-building were isolated.

## **Conclusion**

Academic insights regarding non-EAMS involvement in Eurogroup and EWG interaction during the sovereign debt crisis are fragmented. Individual anecdotes paint a fuzzy picture, suggesting that EAMS were isolated in their special facilities and that non-EAMS

representatives could not avoid exclusion from EMU reform debates. Such insights contradict the common assumption within the academic debate that outsiders of DI in the EU can maintain involvement in ongoing policy debates if their representatives comply with insider norms. This chapter contributed to resolving this contradiction, offering a more nuanced picture of non-EAMS involvement during the sovereign debt crisis and highlighting the relevance of insider norm compliance. Due to intensive interaction under the circumstances of uncertainty, the deliberation and consensus-building norms could maintain their robustness in the Eurogroup and EWG. EAMS representatives expected good euro area insiders to justify their positions through economic arguments and combine the representation of national interests with an openness towards diverging views and a strong desire to find common approaches. This formation of deliberation and consensus-building as insider norms amongst EAMS representatives reflects in patterns of non-EAMS involvement. Those non-EAMS representatives who consistently complied with these procedural norms and, thus, demonstrated insider similarity could secure involvement in EAMS interaction. Danish and Swedish representatives were eager to contribute to ongoing debates and facilitate consensus-building even if their countries did not participate in the respective policy. This norm compliance helped them get involved in deliberations regularly, and sometimes, they could even influence individual policies. By contrast, Polish and UK representatives were regarded as disrupting constructive debates and insisting on their needs even if it delayed agreements. These norm violations caused EAMS to limit these countries' involvement in policy debates to the bare minimum.

The findings of this chapter shed light on the institutional consequences of DI in EMU. During the sovereign debt, DI not only described the conditions of monetary integration in the EU but also structured EMU governance and decision-making processes. Through the interaction in exclusive bodies, EAMS representatives developed their own norms of deliberation and consensus-building. The distinction between insiders and outsiders of



monetary integration in the EU resulted in the formation of insider norms. As a consequence, EMU governance and decision-making were strongly shaped by what EAMS considered right and appropriate behaviour. Because no formal rules regulate when and how non-EAMS representatives need to be involved in Eurogroup and EWG meetings, EAMS representatives found themselves in a gatekeeper position where they could select whom to include in which policy debate. Although this chapter finds that EAMS representatives did not exclude non-EAMS systematically but consistently granted involvement according to norm compliance, these criteria still reflect the powerful position of EAMS. These power imbalances and their implications might have added to the divisions between EAMS and non-EAMS, transforming differences in monetary integration into differences within EMU governance and decision-making, thus, making DI in EMU more durable.

This chapter provides several avenues for further research on EMU and beyond. Recent developments in EMU governance suggest that the observed patterns of non-EAMS involvement have not been sustainable. Eurogroup meetings are increasingly held in an inclusive format, allowing formal participation from all non-EAMS without any distinction. Future studies might investigate the scope of and reasons for this new inclusiveness. One explanation might be that with the lower urgency and uncertainty, EAMS representatives see no necessity anymore to execute their gatekeeper position strictly. Furthermore, after the UK left the EU, the most prominent violators of procedural norms in EMU governance disappeared, reducing the need to discriminate between norm-complying and norm-violating euro area outsiders. This chapter also carries relevance beyond EMU. The finding that procedural norms in the Eurogroup and EWG remained robust even during an existential crisis aligns with findings from CFSP Council committees on the high resilience of procedural norms (Juncos & Pomorska, 2021). Future studies might search for similar or contradicting evidence from other policy areas. Moreover, they might examine why and the conditions under which procedural

norms in Council committees remain robust against tendencies of contestation and politicisation.