The Structural Causes of Trusting Relationships: Why Rivals Do Not Overcome Suspicion Step by Step

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If Israel and the Palestinians restarted their peace process, how would they overcome their suspicion of one another and form a trusting relationship? A prominent response is that actors develop trusting relationships gradually by probing each other's trustworthiness in a series of increasingly stringent tests. This paper challenges the efficacy of such incremental strategies on the grounds that they force actors to expose themselves to exploitation before their counterparts demonstrate their trustworthiness, and offers an alternative approach that relies on the capacity of rules ("institutions") to limit opportunistic behavior.

Trust relationships emerge when suspicious parties limit the consequences of exploitation. Governments will not transfer control over their interests to others if doing so creates a significant risk of domination by former rivals or loss of political office to internal opponents. These dangers can be reduced by designing institutions that guarantee potential trustors the ability to influence collective choices ("effective voice") and that enable leaders to make decisions without undermining their standing among their supporters ("breathing space").

I examine the plausibility of this argument through a case study of governance in the European Community (EC) from the 1957 Treaty of Rome (TOR) to the signing of the Single European Act (SEA) in 1986. The EC (now European Union) is arguably the most important example of successful conflict resolution in the twentieth century, seen by policymakers as a model for resolving long-standing interstate conflicts. The European case was also a relatively easy one for trust-building strategies to succeed: U.S. troops on the Continent

1 See, for example, Shimon Peres and Arye Naor, The New Middle East (New York: Henry Holt), 11.
after WWII meant that destruction was not one of penalties for misplaced trust that EC member states had to contemplate. Nevertheless, step-by-step approaches produced few gains, casting doubt on their effectiveness under more trying conditions.

TRUST, TRUSTING RELATIONSHIPS, AND COOPERATION

At its core, trust refers to an actor’s perception that it may safely delegate control over its interests to others (that is, potential trustees) under certain circumstances. This perception is rooted in the belief that potential trustees will protect the interests placed in their care even if some of their own interests suffer. When I say I trust my sister to look after my son, I mean that I think that my sister will put my child’s welfare ahead of her own while he is under her care. I consider my sister to be a trustworthy babysitter. However, my sister is an untrustworthy oral surgeon because she lacks medical training. Others might be untrustworthy because they are unwilling to protect interests placed under their control even though they possess the skills to operate. Trust is situational: actors that are trustworthy in one instance might be untrustworthy in another.

Trust relationships are behavioral manifestations of trust. They emerge when actors delegate control over their interests to others, in part because they believe in the dependability and rectitude of their counterparts. Both trusting attitudes and delegation are necessary for trusting relationships; neither is sufficient in itself, and the presence of one cannot explain the presence of the other. When I leave my son with my sister, I act on my trust in her and, in so doing, create a trusting relationship. Yet, I do not entrust my son’s welfare to my sister all the time, even though my faith in her caregiving remains constant. I enjoy caring for my son myself and do not ask for help whenever my sister is available. I create a trusting relationship with my sister only when I transfer control over my son’s welfare to her.

The distinction between trust and trusting relationships is a meaningful one. For example, it captures the difference between U.S. President George W.


4 Barber, The Logic, 17.
Bush's statement that he "found [Russian President Vladimir Putin] to be very straightforward and trustworthy" and decisions by the Bush administration to entrust U.S. interests to Russia. In the study of international politics, we are typically less interested in trust than in trusting relationships, because the latter describes situations in which governments make trust matters of policy. Trust is a cognitive notion. Trusting relationships involve actions.

Conceptualizing trusting relationships as a mixture of delegation and trusting attitudes is superior to definitions that equate trusting relations with arrangements that simply create the possibility of exploitation.\(^5\) Actors may expose themselves to exploitation for reasons that are unrelated to trust. For example, in 1999, eight oil workers in Ecuador were kidnapped and ransomed for $3.5 million. Oil company representatives "gambled with a low bid of $500,000" and lost, when the kidnappers killed a hostage.\(^6\) Definitions that equate trust with risk taking would count the oil company's wager as a case of trusting relations even though the negotiators did not premise their behavior on beliefs about the trustworthiness of the kidnappers. In contrast, the notion of trusting relationships described above would not make the same mistake because of its sensitivity to the reasons actors take chances on the behavior of others.

Emphasizing the combination of delegation and trusting attitudes also distinguishes trusting relationships from other forms of cooperation. Interstate cooperation typically lacks at least one of these characteristics. For example, the United States and the Soviet Union cooperated to control the growth of their nuclear arsenals without either delegating control over their interests to one another or believing in the other's trustworthiness. Cooperation remained viable between the superpowers because in the absence of trust, the United States and the USSR developed costly monitoring devices that helped protect their interests from harm.

Actors prefer trusting relationships to nontrusting forms of cooperation because the latter require more-extensive and, therefore, more-expensive monitoring devices. Compare the border security requirements between Israel and Egypt and the United States and Canada. In order to secure their 1973 cease-fire, Israel and Egypt required UN intervention at a cost of approximately $75 million per year.\(^7\) In contrast, the United States and Canada spend less to defend their common border because they trust one another.

Efficiency gains notwithstanding, it is not easy to foster trusting interstate relationships. Fewer safeguards means that trusting relationships offer more opportunities for exploitation than do nontrusting relations. Enemies sense the dangers of exploitation intensely and fear giving one another the chance to

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\(^5\) See, for example, Coleman, Foundations, 91.


harm their interests. Still, suspicion is not intractable, even in interstate relations in which former rivals, such as the United States and Canada, the United States and Mexico, Israel and Jordan, and Sweden and Denmark, all entrust their interests to one another to varying degrees. So long as their interests overlap, strategies that enable actors to overcome their suspicion of one another are available. The question is what works?

**Fostering Trusting Relationships: Two Strategies**

In this section, I lay out two methods of fostering trusting relationships among suspicious parties. The first approach is premised on the idea that trustworthiness is a characteristic that actors reveal to one another gradually in repeated interactions. Trusting relationships are thought to emerge from a process of experiential learning. The second approach suggests that trusting relationships develop when changes are made to the incentives that make exploitation more attractive than loyalty. I discuss these strategies below.

**Incremental Strategies**

Incremental or step-by-step strategies foster trusting relations gradually, often through formal agreements designed to elicit cooperation in stages, starting with issues that are relatively easy to solve and ending with the hardest issues. The "Road Map," the George W. Bush administration's plan for resolving the Israeli–Palestinian conflict is prototypical of incremental strategies. The Road Map attempts to resolve the dispute at the heart of the Israeli–Palestinian conflict in three stages. In stage one, the Road Map specifies that the Palestinian Authority must, among other things, "immediately undertake an unconditional cessation of violence" and issue an unambiguous statement regarding Israel's right to exist. Meanwhile, Israel must withdraw its forces from Palestinian lands occupied after 28 September 2000 and dismantle settlements erected since March 2001. The most intractable issues of settlements, refugees, and Jerusalem are not tackled until the plan's final stage.

By starting with issues that are relatively easy to resolve, plans like the Road Map attempt to replace the fear of exploitation with a gathering wave of trust that enables disputants to resolve the most contentious issues in their relationships. The underlying idea is that trusting relationships are learned responses

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8 When incompatible interests drive conflicts, trust is irrelevant, because actors lack incentives to resolve their differences cooperatively.

to the behavior of others: previously reliable actors can be trusted in the future; unreliable actors cannot.

The learned aspect of trust makes it possible for actors to change their reputations for trustworthiness in a series of tests that force them to choose between the long-term benefits of reliability and the short-term benefits of perfidy.\textsuperscript{10} Initial tests start with issues of relatively small significance,\textsuperscript{11} because the costs of exploitation are relatively minor, reducing the concerns that suspicious parties have about betrayal.\textsuperscript{12} Subsequent tests involve increasingly important issues, until actors are convinced that they can safely transfer control over their core interests to one another.

The success of incremental strategies depends on the ability of small tests to separate trustworthy from untrustworthy actors—a tall order. The problem is that tests on relatively insignificant issues are not costly enough to convince suspicious parties that their counterparts can be trusted as the benefits of exploitation increase. As long as future rewards for opportunism exceed present benefits, which they must when issues are arrayed from least significant to most significant, actors have incentives to feign trustworthiness in order to position themselves to exploit their counterparts when the payoffs for doing so are greatest.

\textit{Observable implications.} Incremental trust-building strategies posit that trusting relationships develop after actors demonstrate their willingness to protect their counterparts' interests in situations that present temptations to betray those interests. However, if arraying issues from easiest to hardest is flawed, we should expect incremental trust-building strategies to break down as the interests actors have at stake increase in value. The timing of these failures should coincide with the penultimate stage of formal trust-building processes.

When actors attempt to foster trusting relationships informally, failures at the penultimate stage are less likely, because participants have less sense of their place in the overall process. In these situations, theory suggests that actors rely on their counterparts' record of compliance with group decisions to assess trustworthiness, for it is through compliance with group decisions that actors demonstrate their willingness to either exploit situations for their own gain or pursue a course that benefits the group.\textsuperscript{13}

Finally, it is reasonable to expect that leaders' calculations will be influenced by incremental approaches. When incremental approaches work, we can expect leaders to point to the influence of retrospective assessments of their counterparts' behavior in their decision making. A corollary is that leaders will place less emphasis on the conditions under which future interactions will

\textsuperscript{10} Schelling, \textit{The Strategy}.
\textsuperscript{11} Osgood, \textit{An Alternative}, 8.
\textsuperscript{12} Fisher, "Fractionating Conflict"; Schelling, \textit{The Strategy}.
take place, that is, prospective factors, than they place on the past behavior of others.

**Institutional Strategies**

Institutional approaches suggest that the greatest barriers to trusting relationships are situations that reward opportunism.\(^{14}\) Actors recognize that trusting relationships pose an irreducible danger of exploitation. Nevertheless, actors will risk betrayal so long as grave injuries will not result from misplaced trust. Consequently, for trusting relationships to develop, potential trustors require safeguards that limit their potential trustees' capacity to exploit them severely.

In interstate relations, the two big fears that inhibit trusting relationships are the fear of domination and the fear of electoral loss. Domination implies a threat from abroad, in which a state (or states) eliminates the autonomy of another. Electoral loss implies a threat from within, in which internal groups muster enough support to remove leaders from office. Both threats are significant because they strike at that which actors care for most in politics: their power.

Institutions designed to protect the external and internal power of governments can alleviate the fears that inhibit trusting relationships by limiting the negative consequences of cooperation.\(^{15}\) In other words, institutions are available that are capable of substantially reducing the capacity of actors to inflict serious injury on one another. Mechanisms (for example, voting rules) that provide actors with reliable opportunities to participate in and influence collective choice reduce the potential for domination.\(^{16}\) Actors that possess "effective voice" can defend themselves against domination over the long run by preventing others from undermining their interests.\(^{17}\)

Supplying others effective voice not only promotes trusting relationships by enabling actors to defend their interests, it also communicates the provider's willingness to employ restraint. Institutions are never perfect solutions to

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\(^{17}\) This is not to say that actors with effective voice will always be able to influence group decisions. Rather, actors with effective voice can expect their influence to be felt often, and not just on non-essential decisions.
insecurity, and therefore it is helpful when actors signal their intention to avoid behaving in ways that might undermine their partners’ welfare, should the opportunity to do so arise.18

In addition to the fear of domination, governments are also concerned about the electoral consequences of international choices. When states change the nature of their relations with long-standing rivals, they create opportunities for internal opposition groups to mobilize support against the leadership. Because leaders value their positions, the stronger the potential domestic opposition to international cooperation, the less attractive that option becomes. Overcoming this barrier to trusting relationships involves structuring cooperative relations in ways that limit the capacity of internal opposition groups to undermine their respective leaders. “Side payments” that help leaders maintain their supporters’ loyalty and prevent the defection of “swing voters” are the most widely cited way politicians protect one another against domestic opponents. However, any agreement that restricts the capacity of internal groups to challenge the leadership’s political standing will help make trusting relationships more attractive.

**Observable implications.** Institutional arguments imply that trusting relationships should emerge once governments provide one another effective voice in group decisions and develop mechanisms that insulate leaders from domestic political pressures. In other words, the timing of trusting relationships should be proximate to the development of institutional safeguards that protect actors from catastrophic losses in the event they are exploited. Institutions that do not provide these protections will not produce trusting relationships.

When institutions play a decisive role in the formation of trusting relationships, leaders will emphasize the importance of rules, norms, and principles during their deliberations. A corollary is that leaders will place less emphasis on their counterparts’ records of reliability. Instead, leaders will be primarily concerned with the constraints on future interactions.

**Research Design**

Incremental and institutional approaches each imply that trusting relationships develop in response to distinct sequences of events. Because the causal mechanisms underlying the strategies also differ—incremental approaches suggest that retrospective learning is decisive for trusting relationships, whereas institutional approaches suggest that principles, rules, and norms control the process—it is possible to assess the efficacy of each approach.

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In this section, I discuss the research design I employed to test the ability of incremental and institutional approaches to explain the decision by EC member states to entrust the governance of their cooperation to one another. I begin by focusing on measurement issues, particularly the strategy I used to identify trusting relationships.

The Dependent Variable: Measuring Trusting Relationships in EC Governance

States empower others to govern their cooperative relations when they provide those actors the capacity to make and implement collective decisions on their behalf. This implies that individual states cannot unilaterally scuttle group decisions at either the decision-making or implementing stages of the policymaking process.

In deliberative bodies, such as the EC's Council of Ministers, states relinquish the capacity to nullify collective decisions by giving up the power to unilaterally veto group decisions, by providing their counterparts with independent revenue for implementing collective decisions, and by establishing mechanisms to enforce compliance with group decisions. States that surrender their formal vetoes over group decisions agree to be bound by decisions with which they disapprove. Independent revenues, that is, revenues that are not controlled by any particular party to an agreement, facilitate the implementation of group policies by creating incentives for actors to comply. Finally, states that create supranational armies ensure that group decisions can be enforced even over the objections of particular parties.\textsuperscript{19} Table 1 describes how the combination of the trusting attitude and the forms of delegation discussed above produces trusting relationships over the governance of interstate cooperation.

This measurement strategy suggests that low-level trusting relationships emerged in the EC in 1986 with the signing of the SEA. Prior to the SEA, EC member states refused to grant one another control over Community governance. Each state's de facto veto over Community policy enabled them to defend their interests in the Council. Meanwhile, the TOR specified that the independent European Commission had responsibility for proposing and implementing Community policies. A series of developments, culminating with the SEA, altered this governing arrangement. The SEA (re)introduced qualified-majority voting (QMV) in the Council, enabling a supermajority of states to make decisions on behalf of those in the minority. The member states also took over the Commission and its functions, ensuring member state dominance over the definition and management of Community development (member states provided the Community its "own resources" in 1970).

\textsuperscript{19} Although it is relatively rare for independent states to create supranational armies, such steps are not unheard of in world history. The decision by the American states to create a federal army in 1789, before their union was consolidated, is probably the best-known example.
TABLE 1

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<td>Low</td>
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<td>High</td>
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DV, dependent variable.

*See note 20.

Interviews I conducted in January 2003 with Belgian and Dutch participants in the negotiations over the SEA suggest that European heads of state and government trusted one another when they agreed to delegate control over their interests. As one interviewee told me, those that crafted the SEA “were not only colleagues, but also friends and there was confidence and trust between [them].” For these reasons, I identify the SEA as the moment in Community development when low-level trusting relationships emerged among the member states. (EC member states made little progress toward a Community-wide armed force.)

It is worth noting that this interpretation of the SEA differs from those that suggest concern for “credible commitments” drove the agreement.21 Credibility problems arise when actors face ex ante difficulties convincing others of their determination to fulfill their promises because of incentives that make promise breaking attractive.22 Commitments solve the credibility problem by eliminating the freedom actors have to violate their agreements.23

When actors make credible commitments, they remove the need for trust on those issues: trusting relationships involve the risk of betrayal, and commitments eliminate that risk. In the EC case, however, the member states introduced QMV (the mechanism of credible commitment) before they knew the issues to which it would apply.24 This is surprising because theories of credible commitments suggest that actors pressure others to relinquish control only over those issues on which they expect to benefit from collaboration. Instead, proponents of QMV, such as Belgium and the Netherlands, made it possible

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20 Because trusting relationships combine actions with attitudes, actors can trust one another without producing trusting relationships.


for others to force them to accept resolutions that cut against their interests. In short, they accepted the uncertainty that goes hand in hand with trusting relationships.

**Gauging the Effectiveness of Incremental and Institutional Trust-building Strategies**

I use two strategies to assess the efficacy of incremental and institutional trust-building strategies. First, I examine whether the sequence of events in the European case is consistent with the sequences predicted by the respective theories. When states use formal incremental trust-building strategies, trusting relationships should develop during the final stages of the process. When states use institutional strategies, trusting relationships should emerge once the parties guarantee one another effective voice in group decisions and insulate their leaders from domestic political pressures.

States possess effective voice when formal voting rules and/or informal decision-making norms permit the least powerful states to influence collective decisions. Institutions insulate leaders from domestic political pressures when they permit governments to avoid or alleviate costs to their citizens produced by involvement in group projects.

Second, I examine whether the mechanisms thought to cause trusting relationships operated in the EC case. As I argued, incremental approaches assume that experiential learning drives trusting relationships. If this is true, there should be evidence that leaders relied on retrospective assessments of their counterparts’ policy making in calculating the costs and benefits of trusting relationships. In contrast, institutional approaches are premised on the notion that trusting relationships develop in response to the introduction of devices that protect governments against catastrophic losses. Prospective assessments are critical. Therefore, we would expect to find evidence that leaders emphasized rules and normative pressures in their decision making.

**Governance in the European Community: A History**

In this section, I detail the change in the dependent variable from the non-trusting arrangement established by the EC member states in 1957 to the low-level trusting relationship that emerged under the SEA. I begin by detailing the EC’s initial design and planned evolution as envisioned by its founders in the TOR. This discussion serves two purposes. First, it shows what nontrusting cooperative relations initially looked like among EC member states. In 1957, distrust of one another led Belgium, France, Germany, Italy, Luxembourg, and the Netherlands (“The Six”) to make the Commission, an independent organization, responsible for directing Community development and overseeing the Community’s day-to-day operations, rather than the intergovernmental Council of Ministers. Concerned that their counterparts would use their author-
ity for selfish purposes, The Six took steps to ensure that a neutral arbiter made policy in the best interests of the Community.

Second, the discussion of the Treaty of Rome provides a baseline against which to measure subsequent changes to Community governance that made it possible for the member states to entrust their interests to one another. Had the member states maintained the course they set for themselves in 1957, they would have delegated governing authority to the supranational Commission through the mechanism of QMV. However, the Community never fully realized the TOR's plan. The 1965 "empty chair" crisis crippled the transfer of power to the Commission by forcing the de facto return of the national veto over Commission proposals. Other, less-dramatic changes also took place that strengthened the members' control over Community governance: responsibility for providing the Community's strategic vision shifted to the European Council, a body of European heads of state and government; the member states established a permanent committee of their own representatives to mediate the relationship between the Council and the Commission; and the member states undermined the Commission's independence by sending defenders of their national interests to serve as commissioners. The transformation of EC governance comprises the latter portion of the discussion below.

Suspicion and Governance under the Treaty of Rome

The TOR divided responsibility for governing Community relations among four organizations: the Commission, the Council of Ministers (Council), the Court of Justice, and the Assembly.25 Of these organizations, the TOR conferred special responsibility on the Commission and the Council, the two bodies expected to play the greatest role in Community development. In contrast, the Parliament received relatively few powers and the Court was expected to play the limited role of policing the Community's legal boundaries.

The Commission's job was to manage the daily functioning and growth of the customs union at the heart of the Community design. Article 155 required the Commission to implement Community rules, formulate proposals to develop the common market, offer recommendations and opinions on matters germane to the TOR, and participate in the preparation of acts of the Council and of the Assembly in an effort to advance the Community's interests. Furthermore, the Commission's near monopoly on the right to select and table proposals for member state consideration gave it a commanding position over the shape and direction of EC development.

Given its importance, the TOR tried to protect the Commission's independence from member state influence and ensure that it operated in the general interest of the Community. Article 157 required that commissioners be se-

lected on the basis of their general competence and "indisputable independence"; commissioners had to discharge their duties in the "general interests of the Community" and with "complete independence"; commissioners were barred from "seek[ing] or accept[ing] instructions from any Government or other body," and member states could not influence commissioners in the performance of their duties.

The Commission's independence was a holdover from the European Coal and Steel Community (ECSC), which also insulated the High Authority, the Commission's predecessor, from member state influence. In 1950, France saw an independent High Authority as protection against future German domination of the coal–steel pool and the associated threat of war on the Continent. In 1957, fear of cheating led the member states to make the Commission independent in an effort to "lock in" credible commitments on vital issues.26

Despite its independence, the EC's founders declined to give the Commission a free hand to exercise its powers. Instead, virtually all significant Commission activities required approval by the Council of Ministers, an intergovernmental organization comprised of one representative per member state. Like the Commission, the Council's roots can be traced to suspicion on the Continent in 1950. When The Six drew up the ECSC, the small states, led by the Netherlands, feared that an unchecked High Authority would lead to de facto domination by France and Germany.27 By overseeing the High Authority's activities—and later the Commission's—the Council provided the small states the modicum of protection against large-state dominance that they craved.

The Council exercised its oversight authority primarily through the ratification of Commission proposals. The intensity of Council oversight, defined by the level of member state support Commission proposals required, varied with the stage of Community development and the importance of the issues under consideration. Initially, most Commission proposals required unanimous approval by the Council. However, the TOR created a three-stage process to replace consensus decision making with QMV. During the first stage, Commission proposals needed unanimous support in the Council, but in the second and third stages, consensus would slowly give way on those issues The Six agreed to decide by qualified majority.

The planned move to QMV was designed to strengthen the Commission's control over Community development. By selecting proposals capable of garnering qualified-majority support in the Council, the Commission could press ahead with integration even in the face of strenuous objections from a minority of members.28 Consequently, every increase in the number of issues decided by QMV reduced each state's ability to defend its interests by blocking

particular Community decisions, giving the Commission a decisive advantage over EC governance.

**The Luxembourg Compromise and the return of the veto.** The TOR’s plan to make the Commission the dominant force in Community governance ended abruptly in July 1965 when a crisis over the EC’s Common Agricultural Policy (CAP) brought about the de facto return of national vetoes in the Council. Following the resolution of a 1964 dispute over grain prices, the Commission introduced an ambitious proposal that called for financing the CAP entirely from a common resource pool by 1967, transferring control over the Community’s customs duties to the Commission over a five-year period, and augmenting the European Parliament’s capacity to oversee the Community’s budget.²⁹

The proposal left all the member states uneasy.³⁰ France wanted the transitional phase of CAP financing extended until 1970, but Belgium, Germany, Italy, Luxembourg, and the Netherlands united to oppose French demands. Dissatisfied with what they perceived as French domination of the Community, the five chose to make a stand before “the distribution of costs and benefits within the [EC became] even more skewed in [favor] of France.”³¹

Confronted by strong opposition, the French government broke off negotiations with its counterparts over the plan, declared that the Community faced a serious crisis, and withdrew its representative from Brussels.³² In September 1965, France expanded the conflict by challenging the increased use of QMV in the Council. Although the crisis did not start over Community governance, the French attack on QMV was not just a tactic designed to secure more-favorable CAP financing. Prior to the crisis, Charles de Gaulle had planned to “strip the Commission of its unique power of proposal, to block the transition to majority voting, and to fire the [Hallstein] Commission.”³³ The dispute ended in January 1966, after two Council meetings produced an accord, known as the Luxembourg Compromise, that provided member states a de facto veto over Council decisions.

By restoring the veto, the member states denied the Commission the advantage it anticipated receiving under the TOR. So long as the veto remained in place, the Commission could not table proposals with qualified-majority support to advance Community development over the heads of objectors. Instead, Commission proposals had to satisfy the state least interested in


cooperation over the issue in question, ensuring that the member states, not the Commission, controlled Community development.

While the 1965–1966 crisis produced the most dramatic shift in the distribution of Community authority toward the member states, it was just one of a number of developments that cemented member state dominance over EC affairs. As I argued above, focusing on how the member states asserted control over EC governance is important for understanding the development of trusting relations in the Community. Absent changes to the TOR’s initial design, the member states would not have been in a position to entrust the governance of their efforts to one another.

In the following section, I detail three additional developments that cemented the member states’ control over the Community: the emergence of the European Council, the creation of the Committee of Permanent Representatives (COREPER), and the member states’ capture of the Commission.

The European Council and the rise of European summity. In 1974, the member states took the step of agreeing to hold regular summit meetings among the heads of state and heads of government known as the European Council. Although the TOR’s framers thought the Commission would provide the Community’s long-term vision, the European Council quickly took over this role, further reducing the Commission’s importance.

Summitry among the member states began in 1962, when de Gaulle convened The Six to discuss his vision of European political union.34 In those early days, the other member states feared summit meetings would undercut the authority vested in Community institutions. The smaller member states also feared that summitry would lead to Community domination by France and Germany.35 Nevertheless, the member states convened summit meetings on an ad hoc basis in 1961, 1969, 1972, and 1973 before agreeing to make them a regular feature of Community decision making.

Two issues convinced the member states to make European Council meetings permanent. First, the summits gave leaders a hand in decisions that could ultimately harm their constituents.36 Second, the threat of vetoes increasingly forced the Council to produce complex package deals that provided each member state some benefit in order to secure passage of Community legislation. The intricacy of these deals quickly overwhelmed the Council of Ministers and created a need for more-active involvement by leaders of the member states.37

34 Westlake, The Council, 18.
36 Bulmer and Wessels, The European Council.
37 Ibid.
The Committee of Permanent Representatives. COREPER also augmented member state control over Community governance. Officially recognized in the 1965 Merger Treaty, but appearing in various forms as early as 1958, COREPER is the central intermediary in Council–Commission relations. COREPER acts as the first review board that Commission proposals encounter and although COREPER cannot change Commission proposals, it can detail the provisions members disagree with and make (nonbinding) requests for revision. Given that the Commission requires Council approval to act, there are strong incentives for it to adopt COREPER’s suggested revisions into its proposals.

COREPER also controls the number of Commission proposals the Council must consider at any given time. In this role, COREPER prevents the Commission from overwhelming the Council with proposals. Finally, in conjunction with a series of management committees, COREPER assists the Council’s efforts to oversee the Commission’s activities.

In short, COREPER strengthens the members’ control over Community governance by ensuring that member states’ interests are reflected in Commission proposals and by limiting the Commission’s ability to swamp the Council with proposals, thereby preventing it from overseeing the Commission’s activities.

The political makeup of the Commission, 1958–1985. The member states delivered a final assault on the Commission’s independence through the Commission’s nominating process. Coinciding with the Luxembourg Compromise, the member states increasingly expanded the political composition of the Commission, ignoring the TOR’s stricture that commissioners be independent. Of the fourteen commissioners that served between 1958 and 1967, only five held senior ministerial positions in their home governments before serving on the Commission. By comparison, after the Compromise, political appointees comprised up to 85 percent of the college membership.

The implications of this transformation in the political makeup of the Commission are not lost on the member states, who lobby the Commission president to place their respective commissioners in charge of important portfolios. As Martin Donnelly and Ella Ritchie point out, "Governments are obviously keen for their nominees to have politically advantageous portfolios in the belief that this will open up a channel of influence for them on key issues."

Summary

Shortly after ratifying the TOR, The Six implemented a series of changes to the Community's design that left them, rather than the Commission, firmly in control of EC governance. The de facto replacement of QMV with unanimous voting provided the greatest assurance to states that their wishes would be respected in group decisions, but the Luxembourg Compromise was not the only strike against the EC's supranational ideal. The emergence of the European Council, the growth of COREPER, and the appointment of partisan commissioners shifted the balance of power toward the member states.

This is not to say that events always undermined supranationalism. In 1970, for instance, the member states agreed to replace their individual contributions to the EC budget with revenues generated by the Community's common customs tariff, and in 1978, the European Court of Justice, in Simmenthal v. Commission, effectively established the supremacy of Community law. Still, on balance, the de jure and de facto changes to the TOR favored the member states with respect to the management of Community affairs, and these gains came largely at the Commission's expense.

The changes made to the TOR's original design, however, went beyond simply shifting of responsibilities between the Council and the Commission. Under the provisions of the TOR, any transfer of governing responsibility was scheduled to go to a set of relatively independent commissioners. However, when the member states finally transferred governing authority to the Commission, the Commission was no longer a neutral arbiter between the conflicting interests of the members. Thus, by 1986, states that agreed to delegate their authority over policy to the Community really delegated to the member states, entrusting them with their interests. Explaining this transformation is the subject of the next section.

The Failure of Incremental Strategies

Initially, the member states embraced an incremental strategy to induce one another to relinquish control over Community governance. The member states

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planned to give up their command over issues gradually, by introducing QMV in the Council over three stages. In each stage, the member states extended QMV to those issues over which they could most easily agree to relinquish command. This strategy guaranteed that the issues the states cared for most would remain under their control until the end of the transition period. Despite this design, the formal process failed to bring about the complete transfer of Community governance to the Commission.

Stage One of the transition to QMV and the customs union went smoothly. Resolution of a 1964 dispute over grain prices convinced many that the Community was "condemned to succeed" and that 1965 would bring "a long train of consequential decisions . . . [that] would carry the Community irresistibly down the road to economic union." Clearly, the sense of optimism in the Community overlooked growing unrest over the impending transition to QMV and the loss of control it implied for the member states. During the 1964 grain prices dispute, for example, Germany proposed exempting decisions on cereal prices from QMV since, in the words of Foreign Minister Gerhard Schröeder, "it would be difficult to imagine one of the partners finding himself in a situation incompatible with his vital interests."

Concern over the repercussions of QMV culminated in a crisis initiated by France on the eve of the third transition phase that was resolved only after the member states agreed to permit one another de facto vetoes over Council decisions. Although the crisis pitted the member states against France, the Luxembourg Compromise's promise to allow any state to veto matters that might adversely affect its vital interest was "probably almost as welcome to the other five as it was to France."

In reasserting their right to veto proposals, the member states aborted the TOR's plan to delegate control over Community governance to the Commission. Growing concern over the transition to QMV, combined with the timing of the crisis, suggests that the member states' willingness to entrust their interests to the Commission during the first two phases of the transition to common market, that is, when the costs of betrayal were relatively low, did not reassure them that their interests would be protected as the costs of betrayal rose. The early successes did not require enough sacrifice to convince the member states that it would be safe to give up control of their interests at higher levels of risk.

Although the formal effort to encourage the member states to delegate control over Community governance cannot explain the development of

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48 Camps, European Unification, 30.
trusting relationships in 1986, it is possible that an informal learning process—
driven by observations of compliance with Community legislation—was at
work. However, the evidence suggests that member states showed little interest
in their counterparts' fidelity to Community standards. As a participant in the
negotiations over the SEA told me, his government did not consider the other
member states' record of compliance with EC law while they deliberated over
the importance of the veto in the Council.51

Given what we know about compliance in the EC, this official's disinterest
in compliance issues makes sense: the number of suspected infringements of
EC rules grew from a low of approximately 200 cases in 1980 to slightly more
than 800 cases in 1986.52 Roughly 500 of these suspected infringements resulted
in formal efforts by the Commission to induce compliance.53 Significantly, the
Commission initiated about 200 infringement proceedings in 1986 because of
deliberate noncompliance by member states, an increase of nearly 400 percent
over the number of shirking cases investigated in 1978 (the first year of
available data).54

The increasingly poor record of compliance with EC directives suggests
that it would have been difficult for member states to draw favorable conclu-
sions about their counterparts' trustworthiness. Perhaps fortunately, it appears
that participants in the negotiations over the SEA were inattentive to their
counterparts' rates of compliance. Nevertheless, the member states established
trusting relationships among themselves during this period. This is damaging
evidence for incremental approaches because it suggests that leaders do not
emphasize their counterparts' rate of policy compliance when assessing their
trustworthiness. Given that step-by-step strategies assume that demonstrations
of reliability are critical in overcoming suspicion as expressed in policy, evi-
dence suggesting that leaders are relatively uninterested in compliance makes
it difficult to be optimistic about the capacity of incremental approaches to gen-
erate trusting interstate relationships.

INSTITUTIONAL STRATEGIES AND THE FORMATION OF
TRUSTING RELATIONSHIPS

In this section, I examine whether the emergence of institutions that provide
governments effective voice in group decisions and domestic breathing space
better explain the development of trusting relationships in the EC than the
incremental approach examined above.

51 Interview with a Belgian representative, 8 January 2003. A Dutch representative I interviewed
(10 January 2003) could not recall if questions about compliance influenced Dutch deliberations
during the SEA negotiations.
52 Jonas Tallberg, “Paths to Compliance: Enforcement, Management, and the European Union,”
53 Ibid., 625.
54 Ibid.
Effective Voice

Initially, the EC’s founders invested little time in ensuring that the member states possessed effective voice in group decisions. Under the Treaty of Rome, QMV in the Council typically required proposals from the Commission, whereupon passage required affirmation by any combination of states holding twelve votes.\textsuperscript{55} Between 1958 and 1973, the states with the smallest populations (Belgium, Luxembourg, and the Netherlands) held five votes in the Council, while the states with the largest populations (France, Germany, and Italy) possessed the remaining twelve votes (four votes each). This distribution created the possibility that their larger counterparts could consistently outvote the small states once QMV became the operative decision rule. Belgium and the Netherlands, with two votes apiece, could exert leverage on voting outcomes only if they voted together and one of the large states broke with the other two; Luxembourg’s vote was not “critical” to any winning coalition.\textsuperscript{56}

Even though the 1965/66 crisis ended the danger the smaller states faced of becoming a permanent minority in Community decision making, the allocation of votes in the Council remained an issue that the member states revisited periodically. The first change in the distribution of votes in the Council occurred during the first enlargement in 1973. Before enlargement, the small states controlled 29 percent of the votes in the Council; after enlargement, they controlled 31 percent of the total votes in the Council.

The small states’ 2 percent increase in voting shares gave them the capacity to block proposals supported by the large states from passing the Council under QMV. Subsequent enlargements in 1981 and 1986 followed the same pattern. Figure 1 depicts the voting strength of large and small member states in the Council relative to the number of votes needed to block the passage of Community legislation. As the Figure shows, after the first enlargement, small states could veto legislation in the Council of Ministers without the support of a large state if, and only if, they voted together. Following the second and third enlargements, the small states could block legislation favored by the large states even if they suffered defections from their ranks. From 1981 to 1985, for example, Denmark, Ireland, or Luxembourg could vote with the large states without preventing a small-state veto in the Council. Following enlargement in 1986, the small states could block legislation favored by the large states even if states with as many as five votes (for example, Belgium and Greece) broke with a small-state coalition.

In addition to hardwired voting rules, the member states counted on norms of inclusivity to guarantee their voice in Community decisions. Participants in

\textsuperscript{55} On rare occasions, when the Council made decisions without a Commission proposal, twelve votes cast by at least four member states constituted a qualified majority.

the negotiations over the SEA experienced these norms as obligatory, requiring them to respect one another’s interests and to further the project of European integration. Policy proposals had to be “fair” to the citizens in each country before they were approved, and there was pressure to find formulae capable of bridging differences among the member states. States that maintained their objections to Community proposals were put in the uncomfortable position of being “no-sayer[s] in the European Community.”

The member states further augmented their voice in Community governance by forcing the Commission to effectively negotiate the details of its proposals with the member states through COREPER, shifting responsibility for long-term strategic planning to the European Council, and undermining the Commission’s independence. By 1986, the Commission was effectively an intergovernmental institution, thoroughly penetrated by the member states’

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57 Interview with a Dutch representative, 10 January 2003.
58 Interview with a Belgian representative, 8 January 2003.
national representatives. Consequently, Commission proposals increasingly had the member states' fingerprints all over them.

In sum, by the time the SEA was up for discussion, both large and small member states had ample opportunities to influence Community policy. This does not mean that the member states were immunized against any and all harmful decisions. Rather, the member states created a system that gave each government enough leverage over collective decisions to ensure that over the long run, EC policy would take the interests of each state into account. In the short run, the SEA ended each state's ability to influence any particular piece of Community legislation. Under the new arrangement, the states had to rely on one another to restrain whatever impulses they might have to take advantage of one another.

**Breathing Space**

While changes to the institutional structure of the EC provided member states with a degree of protection against domination by their counterparts, the member states also made sure to provide mechanisms designed to enable their leaders to avoid domestic political problems. Initially, the TOR provided member governments modest protections against the dislocating effects that integration might have on their citizens and, hence, their reelection chances. Article 26, for example, authorized the Commission to direct "any member state encountering special difficulties to postpone the lowering or the raising of the duties on certain headings of its tariffs." Concern for citizens is also evident in Article 123, which called for the development of a Social Fund to "improve opportunities of employment of workers in the Common Market and thus contribute to a rising standard of living ...."

As policy making in the Community became more complex, the member states turned to a more comprehensive solution to the potentially negative domestic consequences of integration: the European Council. Described by the member states as permitting them to establish "an overall approach to the internal problems involved in achieving European unity and the external problems facing Europe," the European Council gained principle responsibility for setting the EC's strategic vision. More importantly, the European Council gave EC leaders a direct hand in the creation of the very policies that could affect their political standing at home.

The member states also availed themselves of informal mechanisms to protect their governments' domestic political standing. For example, the member states gradually accepted the idea of "selective exit" from specific treaty obligations, a principle originally promoted by French officials concerned about the Community's effect on their ability to retain power. The British

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59 Quoted in Bulmer and Wessels, *The European Council*, 147, (italics mine).

refusal to join the monetary union is the best-known example of selective exit, but states can also exercise their exit option by refusing to implement or comply with EC law, although this latter option is dwindling in importance as European justice becomes stronger.

In short, the member states recognized that the process and goals of European integration could not expose a state's leadership to undue electoral competition, and took pains to make certain that this did not occur. The mechanisms used to accomplish this varied, from explicit rules allowing states to implement EC rules at a more comfortable pace to selective exit from those aspects of the treaties that were most objectionable.

In terms of timing, the emergence of trusting relationships among the member states coincided with the presence of both the rules guaranteeing the member states effective voice in group decisions as well as the ability to insulate themselves from domestic political pressures. While the member states were sensitive to the domestic political problems their respective leaders faced throughout the history of European integration, they had paid less attention to ensuring that both large and small members could defend their core interests effectively. Only with the final redistribution of votes in the Council in advance of the admission of Spain and Portugal did Community rules assure all the states that their counterparts would not dominate them.

Consistent with expectations, EC leaders focused on the availability of rules to protect them against exploitation during their deliberations over the SEA. Norms of inclusivity and fairness in EC decision making were prominent in the minds of participants. Retrospective assessments of behavior did not appear to be significant. While this result may be surprising, given that the conventional wisdom points to the importance of incremental learning, it is in keeping with the history of EC governance, which is marked by persistent concerns among the members about relative power. For as long as the states have pursued European integration, they have worried about the fate of their interests under the Community structure, leading to significant changes in the organization of Community relations: the Council of Ministers, the Luxembourg Compromise, and the continual reallocation of votes under QMV all clearly emerged in response to fears about the consequences of international cooperation. Seen in this light, the formation of trusting relationships appears to be part of a normal international process in which states privilege issues of power over reputation.

**Can the Institutional Approach "Travel"?**

If one accepts the preceding analysis, the next logical question concerns the applicability of an institutional approach to other conflicts. In other words, is the institutional approach that produced trusting relationships among EC member states generalizable?

The nature of research that relies on "easy" cases makes it difficult to assess the portability of successful formulae. In the EC case, conditions favored
the formation of trusting relationships to an extent we may not see in other rivalries. This means that evidence emerging from the EC case will be more convincing in terms of what will not work to foster trusting relationships in other conflicts than what will work. Because the barriers to trusting relationships were relatively low, the EC case damns the incremental approach's failure more strongly than it supports the institutional approach's success.

Of course, demonstrating the limits of incremental strategies is important, given their widespread use, even if institutional strategies are unlikely replacements. However, my research on the development of trusting relationships among the American states (1776–1789) and between Israel and Jordan (1950–1992) confirm the evidentiary pattern found in the EC, suggesting that institutional strategies may be able to withstand the tests of time and space.61

In the American case, conflicts among the former British colonies and revolutionary activity within them led individuals like George Washington to proclaim the existence of a crisis that they feared would inexorably lead to war.62 The Constitutional Convention, held in Philadelphia in 1787, was called with the crisis in mind. Although most of the Convention's delegates agreed that the states had to change the way they cooperated—the bonds among them were so loose that none of the states could be trusted—the deliberations deadlocked over political representation in the proposed Congress. Large states, such as Virginia, argued that seats in Congress should be apportioned relative to population size. Small states, such as Delaware, objected on the grounds that proportional representation would enable the large states to threaten their existence.63 The impasse broke only after the delegates found a compromise that guaranteed the small states a voice in federal decisions.64

The so-called Great Compromise did not produce trusting relationships by itself, however. The delegates still had to protect the tenure of state leaders before the Constitutional design would be acceptable. With the threat of insurrections high—a revolt in Massachusetts prior to the Convention frightened everyone—the delegates made sure to reassure state governors that they would be restored to office in the event of rebellion: Article IV, Section 4 of the Constitution promised to protect state governments against both external and, critically, internal threats to their office.

63 See, for example, George Reed's letter to John Dickinson in Orin Grant Libby, "The Geographical Distribution of the Vote of the Thirteen States on the Federal Constitution, 1787 - 8," Bulletin of the University of Wisconsin: Economics, Political Science, and History Series I (1897): 1–117.
In the Israeli–Jordanian case, Israeli peace negotiations with the Palestine Liberation Organization gave Jordan’s King Hussein the protection he needed from domestic groups to establish a near-trusting relationship with Israel over the waters of the Yarmouk River—a result that years of secret cooperation had not produced. Only the absence of guarantees of effective voice over the management of the Yarmouk prevented Israel and Jordan from fully entrusting control over the waters to one another.

Prior to the 1994 Treaty of Peace that changed the nature of Israeli–Jordanian relations, water relations between the two states teetered on the brink of collapse. Frequent mediation by U.S. envoys produced only temporary cessations of the dispute. For Jordan, the lack of progress toward a resolution of the Israeli–Palestinian conflict prevented the Hashemite Kingdom from altering its basic orientation toward Israel: pressure from Jordanian Palestinians and other Arab governments to oppose the Israeli occupation of the West Bank and Gaza Strip simply did not permit King Hussein much latitude over his Israeli policy.

Revelations of Israeli–Palestinian peace negotiations in 1992 changed the basic dynamic underlying Israeli–Jordanian relations. The public “Oslo process” freed King Hussein to pursue relations with Israel without fear of offending a powerful segment of Jordanian society. Reflecting this change, in 1994, Israeli and Jordanian officials signed a peace treaty that included provisions that brought them closer to entrusting control over the waters of the Yarmouk River to one another than they had ever been before.

While the American and Jordanian cases are just two additional cases, the evidence suggests that the pattern found in the European case is not an anomaly. In both cases, trusting and near-trusting relationships developed in response to specific institutional changes rather than to learning processes that convinced the respective states of their counterparts’ reliability. Whether these results can be found elsewhere remains to be seen. Like laboratory experiments, case studies must be replicated under a variety of conditions to get a measure of their limitations. Nevertheless, the results presented above suggest that students of conflict resolution must pay closer attention to the institutional sources of trusting relationships.

CONCLUSION

When policymakers attempt to resolve long-standing conflicts, they often turn to strategies designed to establish trust little by little. As Israel’s chief

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negotiator during the Oslo peace process argued, "Peacemaking is a gradual revolution that moves from hostility to a desired conciliation, a collection of moments in which a new trend is set in motion."68 However, the failure of incremental approaches to foster trusting relationships among EC member states suggests that such strategies are poorly suited to the task. First, the member states' formal attempt to delegate control over Community governance failed largely because its graduated structure did not reassure the parties that their interests would remain safe in the future. Second, when the member states finally decided to entrust their interests to one another, they did so with apparently little consideration of their counterparts' records for reliability. The past played a smaller-than-predicted role in the formation of trusting relationships.

It is true that trusting relationships, as defined here, require leaders that trust one another. But there is no evidence that the bonds of trust among EC leaders in 1986 emerged in response to prior policy decisions of their respective governments. More likely, EC leaders established trust during the course of personal interactions with one another that typically take place outside of official bargaining sessions. Although the evidence is silent on this point, the EC case suggests that if learning plays a role in the formation of trusting relationships, it plays that role over dinner and drinks, not, as incremental approaches presume, during the policy process.

In a general sense, incremental strategies do not work, because they erroneously locate the problem of trust in interstate relations with the actors themselves. However, suspicion is a product of the context in which actors relate to one another. Therefore, overcoming suspicion requires strategies that affect the incentives actors face in particular social situations. In anarchic environments, actors fear that entrusting their interests to others brings with it an unacceptably high chance of domination or destruction. Institutional strategies that provide effective voice in group decisions address this fear. But protecting states from one another is not enough. Leaders must also know that the decision to entrust their interests to others will not lead to their own political defeat. For them, mechanisms that relieve domestic political pressures are necessary. In combination, institutions creating effective voice and breathing space make the worst-case scenarios that actors can envision resulting from betrayal as unlikely as possible. It is in the new institutional environment that trusting relationships ultimately thrive.

To be clear, I am not arguing that incremental strategies are useless in situations of conflict resolution or that they cannot or should not be used in conjunction with institutional approaches to trusting relationships. Strategies such as "Tit-for-Tat"69 and GRIT70 are both capable of fostering cooperation

70 Osgood, An Alternative, 85–134.
and reducing hostilities among suspicious parties. In the face of ongoing violence, incremental strategies may play a critical tension-reducing role. However, it is important to understand that incremental approaches are unlikely to produce trusting relationships. Although there is an argument that getting rivals to cooperate at all is what we should focus on, the additional costs associated with nontrusting cooperative relationships invariably price some states out of the conflict resolution market. For example, while the United States has shown interest in serving as a guarantor of peace for Israel, it has been much less interested in playing the same role for India and Pakistan. For these states, trusting relationships may be the only way they can terminate their rivalries, because third-party guarantors are unavailable.

Unfortunately, rather than recognizing the limitations of incremental strategies, policymakers use them as a cure-all for suspicious relations. The research presented here suggests another conclusion: successful trust-building strategies tackle the hardest issues first, through the provision of rules and procedures that enable actors to reliably influence and defend their core interests and that shield leaders from domestic political pressures.*

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