Foreign Policy Consequences:

Integrating Insights from Structural Theorizing into FPA

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1 Introduction

States pursue their foreign policies embedded in a web of International structures. How these structures affect states' foreign policies, however, is not well understood. The discipline of Foreign Policy Analysis (FPA) almost exclusively focuses on domestic variables to explain foreign policies. When international structures are taken into account they are usually conceived as another input in the foreign policy decision-making system. This approach, however, only partially covers the effects that structures can have on foreign policies. Structures do not just cause foreign policy decisions because decision-makers perceive the constraints and incentives they face in the international system and feed these perceptions into a decision-making process which translates them into more or less rational decisions. International structures may affect foreign policy decisions without being perceived as such by foreign policy makers at all. They may reward or penalize certain actions depending on how well these actions are adjusted to the structures. These effects may impact on future foreign policy decisions, even without any explicit insight of decision-makers into the structural basis on which they occur.

This is the linkage between structures and policies on which I will focus in this paper.[1] Understanding this link requires a shift in analytical focus. In this view, structures do not *cause* foreign policies in the first place. Rather, they condition the *consequences* that foreign policies will have. Even if these consequences are not taken into account by decision-makers *ex ante* (i.e. even if decision-makers do not act substantively rational) they may still affect future foreign policy decisions.

Structure-based theorizing in this sense requires to spell out the constraints and incentives that states face in the international system and to explicate the implications that derive from obeying or ignoring them. It enables the researcher to examine to what extent a foreign policy decision reflected structural incentives, to determine the consequences for the state concerned and to

[1] It goes without saying that other linkages could be added. Most notably, policies themselves directly or indirectly affect structures and may transform them in the long run. There is not much literature on how such processes could be captured from an FPA perspective either. Suggestions have been made utilizing insights from cybernetic theory, conceptualizing the links as feedback effects (Gadinger/Peters 2010), or applying a pragmatist reading of structuration theory (Hellmann et al. 2007).

analyze how these consequences affected future decisions. An empirical analysis of foreign policies would thus observe how a state's actual policies related to the incentive structure, and trace the consequences they had and the state's reaction to them.

In what follows I will elaborate and defend this view. I will, first, reflect on how international structures, in general, can become important for foreign policies and on the deficiencies of current analytical approaches to the issue. I will then outline a sample analytical framework, which focuses on two aspects of international structure and sketch an illustrative application of this framework to demonstrate its merits. The framework is based on those two aspects of international structure that have received the largest share of attention in IR theorizing: the international distribution of power and international institutions. Accordingly, states face two basic incentives from the international system when they formulate their security policies: countering dependence from a hegemon; and reaping the benefits from existing institutional cooperation. How a state responds to them is not determined by these structures. Yet a policy which disregards these incentives will have detrimental consequences for the state. Continuing such a policy will increase the pressure for adjustment and increasingly confine the options a state has in its security policy. I will illustrate this mechanism with respect to one aspect of Britain's post-Cold War security policy, namely Britain's response to calls for an autonomous European military capability inside the EU after 1990, i.e. Britain's policy towards the emerging European Security and Defense Policy (ESDP) that was eventually created in 1999.

2 International structure and foreign policy: general considerations

That international structures have hitherto not played much of a role in FPA is at least partly due to an academic division of labor which has developed especially in the US and which separates the fields of FPA and IR. The former deals primarily with "actor-specific" theory and focuses on explaining actual foreign policies by pointing to specific characteristics of the acting states, whereas the latter is perceived to be concerned with "actor-general" theory, focusing on general structural dynamics in international relations (Hudson 2005). Consequently there is a huge amount of FPA research that examines how foreign policy is affected by all kinds of state and sub-state level variables including, to name but a few, material state characteristics (Rosenau 1966, Rummel 1972, 1979), societal culture (Hudson 1997), state-society relations (Freund/Rittberger 2001; Skidmore/Hudson 1993; Katzenstein 1976), public opinion (Holsti 2004), and all aspects of the decision-making process like organizational processes (Snyder et al. 1962), bureaucratic politics (Allison/Zelikow 1999; Allison 1971), coalition dynamics (Hagan et al. 2001; Kaarbo 1998), small-group processes (t'Hart et al. 1997; Janis 1972, 1982) and the cognitive traits (Young/Schafer 1998) or leadership style (Preston 2001) of influential individuals.

Integration of insights from IR theorizing into FPA, if it happens at all, usually takes the form of incorporating IR variables into FPA's general explanatory framework. International structures are conceptualized as providing one potential cause of foreign policy actions. A prime reference point of such arguments appears to be structural realism, or neorealism, and two main bodies of integrative work can be distinguished. One strand of research in this vein translates neorealist IR theory in a more or less determinist foreign policy theory in which structure directly causes foreign policy. A second strand of research, which meanwhile goes by the label of *neoclassical realism* (Rose 1998; Lobell et al. 2009), attempts to refine the link between international structure and foreign policy behavior by conceptualizing international structures (or their perception) as yet another input into the domestic decision-making system so meticulously examined by FPA. Yet both ways of translating IR theory into a tool for analyzing foreign policies face severe problems.

The first line of reasoning translates structural realist theory in a straightforward manner. States are embedded in an anarchic international system. Anarchy creates a self-help system in which every state has to take care for its own security. Since a state can only be certain of its survival when no other state is more powerful than itself, states will counter-balance any preponderant power they see rise. Therefore international structure will cause states to engage in balancing. If states do not balance preponderant power structural realism is proven wrong (see Baumann et al. 2001, Vasquez 1997, Vasquez/Elman 2003).

There is much to be said in favor of such reasoning. It is a concise and parsimonious theory that links international structure (anarchy, unequal distribution of power) to individual foreign policies. Moreover proponents of structural realist IR theory have themselves employed the theory to generate such sweeping predictions about foreign policies. Kenneth Waltz, for instance, posited that "units in a self-help system engage in balancing behavior" (Waltz 1993: 73), that "the response of other countries to one among them seeking or gaining preponderant power is to try to balance against it" (ibid: 77) or that "profound change in a country's international situation produces radical change in its external behavior" (Waltz 2000: 34). Nonetheless, the theory is just too simple to be convincing. Its determinism is achieved simply by assuming that states are exposed to only one single set of constraints and incentives and that states are unitary, substantively rational actors (i.e. that they know the consequences of their actions and heed them). This, however, ignores decades of FPA research, as FPA has mainly been concerned with demonstrating that it is imperative to examine decision-making processes at lower levels of aggregation to account for foreign policies. It also contradicts basic intuitions about action and behavior that have been discussed by Arnold Wolfers (1962: 4-19). Wolfers argued that individual behavior will be determined by external conditions only under highly restrictive circumstances. If a group of people is assembled at a house, for instance, and a fire breaks out it is safe to predict that everyone will run for the exit. Yet in less restrictive circumstances, e.g. if the house is merely overheated, individual group members will react in much more varied ways which are impossible to predict from external circumstances alone. Similarly, even if states could be conceived as unitary actors, it was highly unlikely that a clearly specified set of international circumstances suffices to predict or explain their policies. Completely reducing foreign policy to the rational compliance with structural imperatives, therefore, appears not to be a perfectly convincing way of incorporating international structure in foreign policy analysis. Even though international structure is likely to *affect* foreign policy it is unlikely to determine it and thus we cannot make predictions about, or fully explain, foreign policies merely by looking at the international structure in which a state is embedded.[2]

A second line of research has attempted to incorporate this insight and nonetheless arrive at explanations of foreign policy that integrate arguments from structural realism. Neoclassical realism achieves this by introducing domestic-level variables which are held to affect how structural inputs are translated in foreign policy decisions. A variety of variables have been introduced in this vein. One of the more popular arguments is that it is not the international distribution of power that determines how states will act but rather states' perceptions of this distribution. How a state, or its decision-makers, perceive the international distribution of power and which consequences for its own foreign policy it derives from this perception can then be traced back to a number of other variables (e.g. Friedberg 1988, Wohlforth 1993, 1995; Schweller 1996, 1998; van Evera 1999). A different argument is suggested by Zakaria (1998) who holds that a state's ability to extract resources from domestic society will crucially affect state power and thus how a state will act in the international system. Schweller (1996, 1998) argues that states must be differentiated on the basis of their fundamental interests to understand how they react to a given international distribution of power and distinguishes status-quo from revisionist interests. Snyder (1991) suggests that a state's reaction to a given distribution of power will be crucially affected by the interests of powerful domestic coalitions.

Such approaches offer far more detailed accounts of foreign policy and clearly avoid the problem of structural determinism because they no longer hold that the international system will directly compel states to follow certain policies. Yet they do not exhaust the insights that could be derived from IR theory for the analysis of foreign policies. From a neoclassical realist perspective, structural constraints and incentives could simply be overridden in the foreign policy decision-making

[2] This is why Kenneth Waltz (1996) claimed that 'his' theory could not be used as a theory of foreign policy.

process.[3] Actors may misperceive the incentives stemming from international structure, they could judge them to be less important than domestic concerns or simply disregard them altogether.

I would argue that even then structures are not unimportant and even when actors disregard them analysts may be well advised to take them into account. This is so because failing to obey structural constraints and incentives will come with at a cost. A party guest in an overheated house may plainly disregard the heat and not move at all because he or she is involved in a conversation with an enchanting stranger and would not dare disrupt the situation. A state may not react to a shift in the international distribution of power because it may be costly to the dominant domestic coalition. The important point now is that further on in time this will cause costs for the actor in question. The party guest may suffer from thirst or cardiovascular trouble. The state may become increasingly unable to assert its interests in international interactions. The higher the costs the more affected future actions will become. The consequences of a policy, i.e. how well it is adjusted to a structural environment, will become important for future foreign policy decisions. Understanding future actions will thus become impossible without knowledge of structural constraints even though these constraints appeared to be unimportant at first and the actor may be completely unaware of them.

This mechanism cannot be readily appreciated by the two approaches outlined above. The structural determinism approach obviously fails because there is no option of disregarding international structure to begin with. The additional-variables approach does not necessarily fail but concentrates on other questions. Neoclassical realism focuses on understanding why an actor may disregard structural constraints and incentives and locates the causes at the domestic level. How the failure to adhere to the structural environment may come back to haunt the actor is not brought into focus and may easily become a blind spot of the analysis.

[3] When compared with structural realism, this is a considerable shift in emphasis, which has led Jeffrey Legro and Andrew Moravcsik (1999) to suggest that these approaches should not be labeled realist anymore (see also Zakaria 1992).

In contrast, then, the framework I suggest appreciates actors' freedom to disregard structural 'imperatives' and makes visible the consequences actors' decisions have. It spells out the constraints and incentives an actor faces in the international system; compares actions with incentives to determine the (mis)fit between action and incentives; and, finally, spells out the implications that a well or badly adjusted policy has for the future. This enables the researcher to trace the effect of structural constraints and incentives on the development of foreign policy over time without suggesting that decision-makers need to be aware of international structure as such.

In the remainder of this paper I will develop a framework for such a form of structure-based analysis to illustrate this conception (for a more detailed discussion, see Peters 2010). I will, first, sketch a model of constraints and incentives resulting from international structure. In doing this I will rely on those aspects of international structure that have for long dominated the debate in IR theory, the international distribution of power (and anarchy), on the one hand, and international institutions (widely understood), on the other hand. I will discuss how states may respond to them and what costs they have to expect when they ignore them. To demonstrate the analytical utility of such an approach I will briefly apply it to one aspect of Britain's post-Cold War security policy. How did the UK react to the emergence of an EU security and defense policy? I will argue that Britain chose to ignore certain structural incentives in the early to mid-1990s, especially post-Cold War incentives to increase autonomy from the US as identified by structural realism. Predictably, this policy caused increasing costs for Britain. The mounting structural pressure finally resulted in a shift in British policy in the late 1990s. I will conclude with a brief summary and one caveat concerning this form of structure-based foreign policy analysis.

3 A model of international structure: power and institutions

What are the most important component parts of the international structure in which states are embedded? I suggest to start the construction of a model of international structure with those aspects that have been most heavily researched and discussed in IR: anarchy and power, on the one hand, and international institutions, on the other hand. Following the advice to seek parsimony first and to add complexity later, I begin with the most parsimonious statement of international structure as put forward by structural realism, or neorealism, and then turn to ask how the constraints and incentives deriving from this structure are modified when institutions enter the picture.

Structural Realism and incentives for foreign policy

Structural realism puts forward a rather reduced model of the international system. The system is viewed as an anarchic one, in which like units, willing to survive, pursue similar goals with different capabilities. The units that populate the international system are states. For the sake of the model, states are viewed as unitary entities that are capable of strategically pursuing fixed preferences.[4] Their most basic interest is that they are willing to survive. Under anarchy, however, their survival is precarious. There is no authority in the system that would be entitled to enforce norms and rules and thus to legitimately protect one state from being harmed by another. Therefore states have to take care of their security themselves.

According to this view any anarchic system creates strong incentives for its units to pursue self-help strategies. In the international political realm the resource that enables actors to pursue self-help strategies successfully is "power". Waltz defines power in terms of capabilities. To determine a state's power, its combined "economic, military, and other capabilities" (Waltz 1979: 131) have to be taken into account. Thus in the context of this conception of the international

[4] Note that this serves only as an assumption for reconstructing the incentive structure. State's need not be substantively rational for the structural effects to occur and for Waltz's balance of power theory to work. Waltz (1979: 118) himself expressly rejects the idea of including rationality among his theory's basic assumptions. Waltz claims that even if states did not calculate rationally (or at least—if not all states did so), a balance of power system would eventually have to emerge in any anarchic environment. This would come about by some evolutionary process of selection. Those states that adhere to the principles of a balance of power system will survive in the long run, the others will disappear or start to emulate the strategies of their successful competitors. In other words, the negative consequences of badly adjusted policies will over time bring the system back in balance.

system, power is a tool of states. It has to be understood, in Hart's (1976) useful distinction, not as the "control over outcomes" a state can exercise, but as the "control over resources" at its disposal to achieve security. It is their control over resources that enables actors to ward off potential attacks from others and thus to achieve their minimal goal in an anarchic system (see also Waltz 1979: 191 f.). Power, of course, is a relative concept. What matters is not the control over resources by itself, but to control more resources than a potential opponent. If the distribution of power changes—for reasons exogenous to the system—the anarchic structure of the international system will clearly induce rational actors to react to this imbalance and to regain the power they lost relative to others. A policy concurring with these incentives can be called "balancing" because, from a systemic perspective, it contributes to redressing power imbalances.

Balancing in this sense means that states are induced to regain power and thus to gain control over a larger share of the resources in the system. But: which resources and what kind of control? The way these two issues are addressed in neorealist analyses of international politics is not always fully convincing, and pondering the problems related to these issues will help to get a clearer understanding of the incentives states face in an anarchic system.

The first question - for which resources are states induced to strive - does not cause too many problems. Although there may be no clear 'neorealist set' of capabilities, there is a core set of resources that are generally regarded as important. These include military capabilities, economic resources and geographic features (in a wider sense, including demographic factors as well as territorial ones) which are regarded as "highly fungible" (Baumann et al. 2001: 43 f.; also Merritt/Zinnes 1989) and thus as enabling states to ensure their security in the international system.

The second term in the definition of power as "control over resources" usually receives much less attention. As a matter of fact, most scholars tend to equate *control* over resources with the *possession* of resources. But the mere possession of resources does not imply that a state can use them to foster its security. A state must be able to make autonomous use of them.[5] The more the use of resources is bound by norms or by rules which give other actors voice opportunities over their use the less it is possible to employ them freely as a means to ensure one's security. This is not to say that states cannot violate international norms and rules or that international institutions can force compliant behavior on states. Yet, although non-compliance always is possible in an anarchic environment, it still places costs on states. These costs, in turn, constrain a state's freedom of action. Consequently, freedom from such constraints, i.e. the ability to make autonomous use of one's resources enhances a state's power. Hence autonomy is an ingredient of power (rather than only a consequence of it).

Taken together a change in the distribution of power in an anarchic system would provide strong incentives for balancing. Those states whose relative power had been negatively affected by this change are induced to strive for power. Power, in turn, is constituted by two elements, (1) the possession of resources that can ensure a state's security, i.e. military, economic and geographic resources; and (2) autonomy in using these resources. Since power is a relative concept this translates in four general incentives: increase your own capabilities or your own autonomy; or decrease those of other states.[6]

Increasing one's own capabilities is the classic form of balancing and the most obvious way of increasing one's power. It can be achieved either internally, e.g. by upgrading one's military arsenal or stimulating economic growth; or externally, by pooling resources with others. Increasing autonomy is another obvious way of balancing. Every action that reduces the impact of international rules or voice opportunities of other actors will qualify here. Decreasing others' relative capabilities

[5] Fareed Zakaria (1998) addresses a similar problem. He asserts that actual power depends on the resources that a nation's government can actually control. He focuses on the internal side of the issue, though, i.e. on the question to what extent the state can extract resources from domestic society.

[6] Surprisingly enough, these incentives are seldom discussed together. Waltz (1979) focuses almost completely on the first set of strategies stressing particularly the increase in capabilities and only briefly discussing autonomy issues. Baumann, Rittberger and Wagner (2001) focus on both sides of the autonomy issue (autonomy-seeking and influence-seeking) but largely ignore the capabilities issue. Mearsheimer (1994, 2001) reflects on both autonomy and capabilities, yet in different texts.

may seem less straightforward nowadays but may nonetheless be an effective way of increasing one's own power. It will include not only direct ways of doing so but also indirect ones, e.g. establishing cooperation that is more beneficial to oneself than to the other side in terms of welfare gains. Finally, decreasing others' autonomy largely corresponds to what Baumann, Rittberger and Wagner (2001) term "influence-seeking", i.e. the attempt to obtain voice opportunities over others' actions.

This brief inventory of ideal-type balancing strategies already demonstrates that structural realism suggests not only those balancing strategies that usually are discussed under this label, i.e. not only military build-ups and the forging of alliances, but many additional ones.[7] This brief list also suggests that the incentives resulting from this aspect of international structure do not easily translate into unequivocal single best policy choices. There may be several policies that would satisfy one goal; and there may also be single policies that create contradictive outcomes with respect to different incentives. Consider just one seemingly unambiguous example: a state buying new weapons systems for its armed forces. This state will increase its power by increasing its military capabilities and, if it buys those weapons at home, creating additional economic surplus for the national economy. On the other hand, however, the resources invested by the state must be extracted from the domestic economy in the first place. To calculate the net effect of the investment, therefore, opportunity costs have to be taken into account. If the money had not been used to buy weapons—would it have been spent less productively? Or would it have been used to produce an even greater economic surplus? If so, could the difference in economic surplus even have outweighed the increase in state power that was created through the upgrading of the weaponry? Plenty of research has been done on this single issue (e.g. Schäfer 1996, see also Glaser 1996: 150 ff.) and it aptly illustrates the complications one soon encounters when seeking to answer seemingly easy questions like 'does buying weapons really increase a state's power?' These problems serve to

[7] Research on "soft" balancing has recently sought to widen the scope of strategies that are analyzed as balancing. However, this literature is often only loosely connected to the basic assumptions of structural realism. On soft balancing, see Pape (2005) and Paul (2004, 2005). For a critique of soft balancing research, see Brooks/Wohlforth (2005), Lieber/Alexander (2005).

clarify once more what analyzing foreign policy based on a model of international structure can do and what it cannot. Thus the incentive structure will not necessarily result in a fully ordered ranking of policy options. Rather, it demarcates a space of policy options, towards which rational states would be pre-disposed when choosing a policy and helps to identify the positive and negative repercussions that certain policy choices will have.

Modifying the realist argument: history matters—through institutions

If IR debates in past decades have demonstrated anything then it certainly is that international institutions constitute a key feature of international structure. Some dissenting voices notwithstanding (e.g. Mearsheimer 1994), IR debates on institutions have shifted from the question *whether* institutions matter to *how* they do so—by altering cost-benefit calculations of rational actors or in a much more fundamental way by constituting actors and preferences in the first place (Simmons/Martin 2002: 204 f.)? I will therefore include the institutions in which security policies have become embedded in my framework for a structure-based foreign policy analysis. I do this from a rationalist standpoint without claiming that this is the only way of reconstructing institutional effects. It is a highly useful one, though, because rationalist institutonalism provides thoroughly developed tools for analyzing the impact of institutions on action which can be easily integrated with realist insights. Again, then, this reconstruction is done in the spirit of seeking parsimony without claiming that complexity could not be added later by problematizing and reformulating the assumptions on which the analysis is based.

From this viewpoint, institutions, minimally defined as the 'rules of the game', or in Douglass North's (1990: 3) words as the "humanly devised constraints that shape human interaction”, affect how actors act by altering the incentive structure they face. They may constrain actors by implying that certain actions—not obeying the rules—are likely to be punished, materially or through reputational losses which will prove costly in the long run. More importantly, however, they induce actors to follow certain courses of action because it is beneficial for them to stick to the rules. Effective institutions result in coordinated behavior which lowers transaction costs and reduces uncertainty—an effect that must be highly valued by actors because it allows them to make more reliable calculations about the future.

These institutional constraints and incentives—basically consisting of the imperative to follow established rules—may, however, come into conflict with other incentives like those stemming from the international distribution of power. Especially in times of change, i.e. in situations in which the distribution of power is altered, such conflicts may occur. How will states react, for instance, if changes in the international distribution of power require them to realign their security policies but there are established routines that require them to stick to their established alignments?

The question whether the incentives from institutions or those from the international distribution of power will prevail in such a situation has dominated much of the debate between neorealism and institutionalism in IR (for an overview, see Baldwin 1993). However, it seems to me that the question has been framed in a way that has hindered the debate to come up with fruitful results. Throughout it was perceived as an either-or question: either states will stick to institutional commitments or they won't. Realist analyses argued that states followed primarily the imperatives of the international distribution of power. Therefore they had to strive for relative advantages over other states and thus would disregard institutions whenever they feared relative losses. Institutionalist studies, on the other hand, sought to establish that states cared for absolute gains and therefore were in many cases willing to comply with institutional commitments. In effect thus neorealist texts tended to claim that institutions will not matter whereas texts based on institutionalist theory claimed them to prevail (Keohane 1993: 272; as an example see the juxtaposition of both approaches in Hellmann/Wolf 1993). Attempts from both camps to find some middle ground took the form of formulating scope conditions: Under certain conditions states would focus on absolute gains and thus be inclined to form and maintain international institutions; under others states would strive for relative gains and thus tend to disregard them (Grieco 1988; Keohane 1989: 15, 18; Keohane 1993: 274-283).

I would argue that the either-or frame of the debate (to which the idea of scope conditions stayed faithful as well) unnecessarily restricted the range of options discussed. States will not have to calculate whether they should be faithful to institutions or simply ignore them. Rather there is a third important option: adjusting institutions. Moreover, if institutions are correctly claimed to be the fabric of social interaction, one might even argue that in persistent social relations discarding institutions without replacement is not even possible. In international politics, if you persistently ignore the rules of the game you do not drop out of the game. Rather, you start a new one.

Consistently ignoring institutional rules thus is tantamount to setting up new institutions or at least altering existing ones. Framing the issue this way makes it possible to tap into insights from historical institutionalism and new institutional economics which have played a somewhat marginal role in IR theorizing. In contrast to institutionalism in IR, these lines of thought do not so much focus on the question whether institutions will be created in the first place and matter at all. Their existence and importance is taken for granted. Rather research deals with questions like which institutional framework will prevail in a state or in an economy or whether always the most efficient framework will emerge. Both, new institutional economics and historical institutionalism argue that once institutions are in place there are powerful forces that will stabilize them even under changing circumstances.

The stabilizing effect of institutions is due to an inherent resilience of most institutions. This resilience has two basic sources: It is both unattractive and difficult for actors to modify institutions. Two arguments about why this is so stand out in particular. First, it has been argued that institutions are subject to "increasing returns", i.e. once established they become self-reinforcing because their continued existence is more beneficial than setting up new institutions even if the existing institutions may appear to produce inefficient results. Secondly, political institutions in particular are often designed intentionally to make their modification especially difficult, which adds to their long-term stability. Taken together, these arguments suggest that political institutions entail strong incentives for actors to stick to established policy paths although long-term change is not completely ruled out.

Incentives to maintain institutions I: increasing returns

Douglass C. North has established the argument that institutions are subject to positive feedback effects and thus self-reinforcing mechanisms. He relied on general accounts of such mechanisms in economics as introduced by authors like W. Brian Arthur. Arthur (1988) argued that in a market there may exist situations of "increasing returns" in which market mechanisms are fundamentally altered. In such situations the market will not necessarily produce efficient solutions, as expected by neoclassical economics. Rather, single products may gain a dominant position because consumers will be inclined to stick to them even if they may be inferior to other products in the long run.

Situations of increasing returns are thus most apparent when consumers will not turn away from a possibly inferior solution, while superior solutions have no chance of succeeding on the market. A common illustration for this phenomenon is the market for computer operating systems. If a certain operating system (let us call it *Windows*) becomes prevalent in the market, this has certain beneficial outcomes for its users (and by implication for its producer as well). Users become more mobile—they will be able to switch easily from computer to computer because it is highly likely that the operating systems of these computers will be identical. They can more easily converse with others about computer problems (because they are likely to be knowledgeable with respect to the same system) and thus more easily solve them. There will also be more software available for a prevalent operating system, leading not only to greater diversity and more opportunities for choice but also to stronger competition and thus lower prices on the software market.

These effects will ultimately alter the workings of market mechanisms. In the early ages of computers, there will be relentless competition on the market for operating systems. Users will be able to choose among several systems, none of them prevalent. But once one of the systems has gained an advantage over the others—due to a crucial innovation, a lower price or an historical accident, for instance—users will start to flock to this operating system to secure the additional gains they get through the increasing prevalence of the system. This serves to enhance the advantages of the given system over others. Ultimately its competitors will be marginalized and the market will be increasingly dominated by one product. At later stages this may produce inefficiency. It may turn out, for instance, that the operating system is not able to handle new security risks connected to the rise of the internet. There may be even alternative solutions on the market that provide more security and are less expensive. But for the individual user, switching would also imply losing all the benefits from using the prevalent system on the market s/he has always used. Therefore users will be highly reluctant to abandon the product they are already applying. Although there is an alternative on the market that would cater better to their needs at a lower price, costs for switching are prohibitively high. They continue on the path they had chosen earlier on.

The existence of increasing returns thus produces a self-reinforcing process or "path dependence". The example of computer operating systems aptly illustrates the nature of such path dependent processes. At some point in time, t1 ("critical juncture"), a choice between several possible options is made. The effects of this decision, as they unfold over time, ultimately alter the likelihood of other decisions at later points in time, t1+x, and eventually foreclose options that would have been realizable earlier.

Although there are numerous other examples, from the QWERTY keyboard (David 1985), to the VHS standard for videocassette recorders, the direction in which a clock's hands move around the dial (for both examples see Arthur 1994b), or the battle between AC and DC electricity standards (David/Bunn 1988), such self-reinfocing processes are not set off by all technologies. Rather, Arthur

(1988: 10) identified four "generic sources" from which the mechanisms described above usually derive (Arthur 1988: 10).[8]

1. Large setup costs: If setup costs for a given technology are large, it obviously pays to stick to an option once that road has been taken. If a quick switch was made, the large investment would have been in vain and the new option chosen is likely to require a large investment as well.

2. Learning effects: If a technology is complex, learning how to operate it will be a major investment as well. Once one has become knowledgeable it pays to stick to that technology instead of switching to a new one and having to do the learning all over again.

3. Coordination effects: "These occur when the benefits an individual receives from a particular activity increase as others adopt the same option." (Pierson 2004: 24) The more people, for instance, use a certain computer operating system the better for every single user because this will result in a more varied supply of computer software based on that system etc.

4. Adaptive expectations: If people know about the effects above they will try to avoid backing the wrong horse. If they ended up having adopted the "wrong" technology, i.e. the one not chosen by the majority of users, they will be excluded from beneficial learning and coordination effects while at the same time switching to the "winner" technology will be quite expensive. Therefore individuals will try to calculate who is going to win the race and support the prospective winner. These expectations to which individuals adapt their decisions therefore reinforce the above effects.

These mechanisms, however, are not restricted to technological change but may apply also in other areas of human activity. Crucially, for my purpose here, Douglass North (1990) demonstrated that

[8] See also the summaries in Pierson (2004: 24) and North (1990: 94). For extensive, and also more technical, discussion of increasing returns in the economy, see the essays in Arthur (1994a).

institutions display all the characteristics of those technologies that produce path dependence and concluded that institutional development will be marked by path dependence too.

First, institutions have large initial *setup costs*. Setting up an institution obviously involves investing time and material resources in communication and other activities for creating, formulating and sometimes formalizing rules. Once the institution has been created these costs can be considered "sunk" and will not enter in actors' calculations of costs and benefits anymore (for IR theory, see Keohane 1984: 100 ff.). Setup costs are not constant across all institutions (nor are they across all technologies). As a consequence, the resilience to change that is implied by these costs will vary from institution to institution. Arguably, formalized institutions are likely to carry higher setup costs than less formalized ones. The communicative effort in nailing down the rules will be much higher and there are various additional costs associated with the process of formalizing rules that are absent in the case of informal rules. Nonetheless, setting up an institution will never be an easy or cheap task.

Institutions may also come with *coordination effects*. North's example are the rules of the economy. The more actors subscribe to a certain set of economic rules the more contracts can be made under these rules which obviously is beneficial for all participants. Instances of such effects also occur in international politics, especially in (the aptly labelled) coordination games of which issues of technical standardization are a typical example. Here actors have a common interest in selecting a common standard because this will facilitate transactions between them. Institutional rules serve to commit them to one among several possible standards (driving on the right or the left lane; using the metric or the Imperial system). Institutionalist research has demonstrated that, once a solution to a coordination problem has been selected, this solution becomes self-reinforcing because it is in all actors' interest to stick to the selected option (to drive on the right side of the road, for instance) (Stein 1982: 314; Hasenclever et al. 1997: 48).[9] Other international institutions

[9] The obstacles to picking the option in the first place may be quite formidable, especially if the different available options have different distributional consequences (Snidal 1985, Zürn 1992).

may produce less or no coordination effects at all. Typical examples are Prisoners' Dilemma situations, in which coordinated behavior obviously is not self-reinforcing.

The remaining two characteristics which make processes path-dependent are intimately connected to the *raison d'être* of institutions. From a rationalist perspective, actors create institutions to acquire more reliable expectations about others' actions and to be able to base their own decisions on these expectations. This implies that *learning effects* will be of particular importance in the context of institutions. The more adjusted actors become to a particular institutional environment, the more easily they will be able to judge how others will act and also to find ways for taking full advantage of these rules for themselves. Both implications will be beneficial for them and thus contribute to their sticking to these institutions. Since learning is a process in time, learning effects will become more pronounced the longer an institution has been in place.[10]

The effect of *adaptive expectations* is also directly linked to the goal with which actors had created an institution in the first place. If actors form institutions to stabilize expectations because they regard stable expectations as beneficial for themselves, they will appreciate the existence of a reliable institution and have strong incentives to continue basing their own decisions on that institution. Signals by other actors that they intend to stick to an institution will contribute to this stabilizing effect of adaptive expectations. Also, the more reliable an institution has proven in the past, the more pronounced the stabilizing effect of adaptive expectations will become.

Aside from individual variations, all these effects provide that institutions in general, and especially institutions interlinked in an "institutional matrix", produce "massive increasing returns" (North 1990: 95). In other words: once a set of institutions has been established, it pays to stick to them—even in situations in which it would be rational to set up a different set of institutions had

[10] As a side note, from a more sociological standpoint learning effects are probably the most important effects of institutions contributing to their durability. Actors may adapt to an institutional environment to such an extent that they tend to regard the institutions as a natural feature of their environment. They then cannot even think of replacing the existing set of institutions with a different set because they do not regard it as a changeable feature of their environment at all anymore.

there not already existed one. Hence institutions produce path dependence, albeit to different degrees.

Incentives to maintain institutions II: vested interests and lock-in by design

However, actors may find institutional change not only unattractive, it may also prove *difficult*. Even if context changes so dramatically that change may become attractive and actors may be willing to invest the resources for setting up new institutions or adjusting existent ones, additional difficulties may arise. These are due to the peculiar character of political institutions, which has been highlighted especially by historical institutionalist research: political institutions are firmly linked to political conflict. This has two important implications when considering the prospects for institutional change.

First, actors privileged by an institution may resist pressures for change. The predominant functionalist perspective on institutions in rationalist IR theory sometimes tends to obscure that institutions may distribute resources unevenly among actors and privilege some actors over others.[11] Some actors may have a stake in an existing institution even if for other actors the institution appears increasingly dysfunctional. These privileged actors may therefore set out to rescue the institution and actively counteract pressures for change (Moe 2005: 227) either by openly defending the institution or, if they are powerful enough, by suppressing challenges to the institution altogether (Bachrach/Baratz 1962). While such actors may stand in the way of institutional change for both formal and informal institutions, their influence will be greatest when formal institutions are concerned. Formal institutions may give them instruments for actively preventing a reformulation of existing rules even when they are a minority.

This points to a second obstacle for change in formal political institutions. These institutions may be intentionally designed to resist change. Such institutional obstacles to change are a quite

[11] For a broader critique of the blindness of rationalist institutionalism to issues of power, see Moe (2005).

common feature of formal political institutions. Often their modification requires super-majorities or even unanimity among actors. Some constitutions even prohibit their own modification. This "status quo bias of political institutions" (Pierson 2004: 42) is not a somewhat curious peculiarity of political institutions but often the result of rational design. If formal institutions are the outcome of political conflict, there will be substantial incentives to design institutions in a way that makes them resistant to change. Powerful actors can utilize institutional rules to influence outcomes in their interest in the long run. If they manage to establish favorable rules they will take care to ensure the permanence of those rules by raising the obstacles for future rule changes (Moe 1990). In IR, e.g. Andrew Moravcsik (2000) has demonstrated how governments of transitional democracies use international human rights institutions to this end.

Leaders may, moreover, design resilient institutions not only in order to tie the hands of their successors; but also to tie their own hands. Thus they can make their commitments credible which makes it easier for them to win partners and broker solutions in their interest. The classic account of this "credible commitments" rationale was developed by Douglass North and Barry Weingast (1989) to demonstrate how the British Crown was forced to guarantee property rights in order to receive new credits on the market. While in this and in comparable cases resilience is directly built into the institutions, IR theory has focused on how domestic institutions may contribute to the long-term stability of international institutions by making international commitments credible (Cowhey 1993, Gaubatz 1996, Leeds 1999).

Overall, then, we see that actors face strong incentives to stick to a policy once this policy has become embedded in political institutions. Institutions are barriers for policy change. These barriers will make change difficult, yet not impossible. Moreover, the resilience of institutions will vary. Table 1 summarizes the different dimensions of institutional resilience and outlines an approximation at which kind of institution will prove most resilient in which dimension. This should not be read as a firm and definite typology but as an illustration, which may guide (yet not replace) the examination of individual institutions in specific cases.

	strong resilience	weak resilience
formalized obstacles for change (existent/non-existent)	formal institutions	informal institutions
set-up costs (high/low)		
coordination effects (strong/weak)	coordination game	no coordination game
learning effects (strong/weak)	old institutions	young institutions
adaptive expectations (strong/weak)		

Table 1: Variation in institutional resilience

Security policy in the international system: the incentive structure

We have so far seen that states are embedded in an international environment that confronts them with two basic sets of constraints and incentives for their security policies: the implications of the distribution of power and consequences of the institutional setting. To analyze a state's security policy we must understand how these two aspects combine and which incentives derive from it.

The most straightforward situations (for decision-makers and researchers alike) will be those in which both sets of constraints and incentives reinforce each other. These will be situations in which the distribution of power induces states to follow policies which are in line with their institutional context. In these instances the range of policy options which are attractive and unattractive for the states concerned will be fairly uncontroversial. Yet states may also come under conflicting pressures. These are particularly likely when the distribution of power shifts in a direction that contradicts the current institutional setting. In such a situation a state faces strong pressures to adjust its security policy and to bring it in line with the new distribution of power. But at the same time there are high costs associated with leaving the established policy path. These costs may vary, depending on the particularities of the institutional setting and they will crucially affect whether a state will follow the incentives for balancing and how it will do so. In short: in responding to shifts in the international distribution of power states will be sensitive to institutional costs. An analysis of balancing, therefore, must look not only at power shifts but also at how balancing incentives may be constrained by a state's institutional environment and how states attempt to modify this environment in order to satisfy the pressures for balancing.

That institutions are forces for continuity and constrain how actors react to changes in their environment does not make them immutable barriers for change. They will come under pressure when they are no longer in line with other incentive structures. In response to shifts in other incentive structures they may well be modified or new institutions may be created by interested actors. However, this institutional change will be difficult and costly. Change will be incremental and start at the margins of the institutional setting, i.e. in those institutions for which adaptive costs are lowest.

How does all this add up from the point of view of a state deciding over the course of its security policy? The existence of institutions significantly complicates the translation of incentives into action. We have already seen above that even under very parsimonious assumptions about the incentives facing states it is difficult to derive a determinate ordering of preferences over policies. Now that we have added the significance of history through the existence of institutions this situation becomes even more complex. Actors will not only have to judge the costs and benefits an option implies for their capabilities and autonomy relative to other actors. Furthermore they need to take into account the costs that would result from modifying existing institutions.

This view of the international incentive structure substantially deviates from both structural realist and institutionalist accounts. In contrast to neorealism it implies that, once institutions exist even ideal-type rational actors in an anarchic environment cannot be expected to rapidly adjust their behavior to changes in the international distribution of power. There may even be extreme situations where actors are embedded in a highly institutionalized environment in which even marginal institutions come with large setup costs, important coordination and learning effects, in which adaptive expectations are important and formal obstacles for institutional change high. In such situations the effects of path dependence may be so strong that imbalances may persist.[12] Balances thus will not necessarily recur. This resembles, for instance, G. John Ikenberry's (1998) argument that the liberal hegemonic order institutionalized after World War II by the United States has been so much stabilized by the effects of path dependence that it will remain unaltered after the end of the Cold War.

In contrast to rationalist institutionalism in IR theory, however, the persistence of institutions cannot be taken for granted. First, there are institutions which are more susceptible to change or dissolution than others. Second, once institutions in the margins have been changed, there may occur a recursive dynamic for the policies of individual states. Changes in marginal institutions (i.e. in those least resistant to change) may affect the overall incentive structure and thus further increase incentives for increasing autonomy and capabilities. These may, over time, become so strong that they outweigh even the costs of changing or discarding initially more resilient institutions. Thus balancing may ultimately prevail even when strong institutions stand in its way at first; albeit on a more complicated path than envisaged by straightforward neorealist accounts.

It is important to keep in mind that this reconstruction of the international incentive structure is not meant to explain foreign policies in the sense of a classic test of hypotheses. I do not mean to posit that states are substantively rational actors which will inadvertently comply with this incentive structure in their foreign policies. Rather, this incentive structure will help to understand which consequences certain foreign policy actions will have and what this will imply for future policies. A structure-based foreign policy analysis thus can use this incentive structure to make visible the constraints and incentives that states face in the international system; examine how well actual

[12] This is what Douglass North (1990) has argued for economic markets.

security policies were adjusted to the particular incentive structure at a certain point in time; and identify medium to long-term effects of tensions between structure and policy.

In what follows I will use one aspect of British post-Cold War security policy to illustrate how such an analysis could work and why it may be worthwhile to engage in this kind of analysis.

4 Britain and ESDP: resisting structural pressures—and adjusting to them

The end of the Cold War is an almost ideal starting point to evaluate the utility of the framework developed above. It marks a dramatic change in the international distribution of power. In the Western world, however, there had also developed a remarkably dense network of institutions which had proven useful and beneficial to the participating states and which thus could be expected to be a source of continuity for the future. IR debates soon turned to the question which aspect would prevail—change or continuity, i.e. whether states would balance or bandwagon; unipolarity would be stable or just a moment; institutions would persist or dissolve. A structure-based foreign policy analysis as suggested here, however, would not aim at such sweeping generalizations. Rather it suggests that IR theories can be utilized to make visible the dilemmas and problems that individual states faced in the new situation and the medium to long-term dynamics resulting from their attempts to resolve them.

One of the pressing issues to which states needed to take a stance was how European security should be organized after the dissolution of the bipolar order. In particular, the question arose whether European states should acquire a military capability, for the purpose of defense or crisis intervention, that would be organized outside the NATO framework. This debate essentially began in 1990 when France and Germany proposed to have the European Communities develop in a full blown European Political Union which would include a common European defense policy with military capabilities at its disposal and the long-term prospect of a European army.[13] Debates on this issue raged on and different institutional adjustments were made to NATO, the Western European Union (WEU) and the EC/EU until 1999. In that year EU heads of state and government decided to create an autonomous European military capability that could be used to intervene in crisis abroad when NATO would not engage in a conflict. This capability was to be part of a common European Security and Defense Policy (ESDP), which would be formulated independently from NATO, albeit coordinated with it.

In the process of creating ESDP, Britain was a crucial player. Year by year, the British government repeated its staunch opposition to the development of an autonomous EU capability even as more and more EU governments turned to support it. This opposition was formulated not only by the Tory government of John Major, but reaffirmed in the 1997 negotiations to the EU's Amsterdam Treaty by Tony Blair's New Labour government. In Ocober 1998, however, in what appeared to be a sudden shift of the British position, the French and British governments issued a common declaration at a Franco-British summit in St. Malo which called for the creation of an autonomous military capability inside the EU. This St. Malo declaration opened the door for the creation of ESDP a few months later.

The British policy change has received some attention in ESDP research. Explanations have focused on historically contingent factors like inefficiencies of organizational layout of European security at the time (Deutschmann 2001: 78, Jopp 1999: 3 f.), the Kosovo crisis, Tony Blair's personal convictions and the circumstances and time pressure under which the St. Malo Declaration was formulated (Howorth 2004). I propose to at least complement such approaches through a more generic approach that addresses the role of basic structural dynamics to which British policy was subjected and which gave the historical circumstances under which St. Malo was formulated the significance to bring about a policy change. Basically I argue that, from the very beginning, Britain

[13] See the joint letters of Helmut Kohl and François Mitterand to the Presidency of April 1990 and December 1990, reprinted in Laursen/Vanhoonacker (1992: 276, 313 f.).

was faced with highly contradictive pressures emanating from international structure: incentives to gain autonomy from the US on the one hand and incentives to continue with the highly beneficial security cooperation with the US on the other. The UK government consistently tended to privilege institutional continuity over autonomy gains. Ignoring incentives for autonomy-seeking, however, came at a price and the longer this policy was continued the higher the costs became. Britain eventually gave in to this mounting structural pressure which it had produced itself through its policy of institutional continuity on the first place.

The incentive structure: power and institutions

Let's look in somewhat more detail at the evidence for this structure-based account of the UK's approach towards ESDP. It goes almost without saying that the demise of the Soviet Union and the Warsaw Pact constituted a tremendous shift in the international distribution of power. From a structural realist perspective, bipolarity had been replaced by unipolarity and this considerably altered the significance of the huge gap in capabilities between the US and European allies. The US could now afford to play out its strength vis-à-vis the European states without having to fear significant disadvantages. This could pose a threat to European allies, not necessarily because the US would now suddenly be likely to directly threaten its former allies, but rather because allies could no longer count on US assistance in the case of security problems as certain as they could during the bipolar stand-off. Consequently, the new situation created strong incentives for Western European states to acquire capabilities and autonomy to become less dependent on the US. Intra-European differences in capabilities were of much less significance, from this viewpoint, because they dwarfed in comparison to the US-European gap.

While this aspect of the incentive structure poses almost uniform incentives to all West European states, the institutional environments of their security policies differed significantly and, consequently, posed quite different constraints and incentives. While multilateral links may make for some similarity, bilateral security institutions were responsible for a high degree of variance. The UK certainly held an extreme position and it is worthwhile to briefly examine the dense institutional network that linked British security policy to the US around 1990.

Many commentators and foreign policy researchers hold that Anglo-American relations are fundamentally different from UK relations with any other country. This is often captured by calling the US-UK relation a "special relationship".[14] To be sure, there is some disagreement as to whether overall this relationship really is as unique as the phrase suggests (see Dobson 1995: 349) and what the concept of 'specialness' is meant to convey at all (see Danchev 1999). Yet the common denominator of this debate certainly is that, if there is anything special about the political relationship, it can be found in the field of security policy because it is the security realm in which cooperation between the US and Britain is most intimate. Indeed, Anglo-American security relations were much closer than US relations to any other West European country during the Cold War and this found its expression in a multitude of security-related institutions. Two areas stand out in particular: nuclear and intelligence cooperation.

Anglo-American nuclear cooperation is both special and highly institutionalized. A number of formal accords govern British-US relations in this realm. The most prominent and most comprehensive among them is the Mutual Defense Agreement (MDA)[15], signed in 1958, yet there are also a considerable number of additional agreements, although they too are usually classified (Butler/Bromley 2001: 19). Through these agreements UK nuclear defense has become thoroughly interlinked with the US in several respects. *Technically*, the UK nuclear deterrent has become completely dependent on the US, with warheads being manufactured according to US design and the Trident II D5 missiles, which carry the warheads, produced and serviced by the US company

[14] The term is usually employed to denote Anglo-American relations as they have emerged during and after World War II. However, some analyses trace the origin of the special relationship back to much earlier times. Adams (2005), for instance, locates the roots of a special Anglo-American relation already at the end of the Spanish-American War (1898). For other historical treatments of the special relationship, see e.g. Baylis (1984), Dickie (1994), Dobson (1995), the contributions in Hollowell (2001) and in Lehmkuhl/Schmidt (2005).

[15] The MDA also goes by the name of Agreement for Co-operation on the Use of Atomic Energy for Mutual Defense Purposes.

Lockheed Martin. The UK appears not even to own the missiles, but only the right to use them.[16] *Operationally*, there is also a close linkage with the US. UK Trident submarines are assigned to NATO, patrols are closely coordinated with the US and Britain is involved in joint nuclear planning with the US (e.g. coordination of targeting through NATO's General Strike Plan) (Heuser 1999: 161).

Together with nuclear cooperation, intelligence cooperation can be viewed as "the engine room that sustained London's desired special relationship with the United States" (Aldrich 2001: 643). There is widespread agreement that the British and US intelligence communities have established linkages that are unparalleled by any other intelligence cooperation in the world, even though overall the international linkages of US intelligence services are shrouded in secrecy (Westerfield 1996: 526-528). The cooperation exists probably in any area of intelligence (Richelson/Ball 1995: 6), yet institutionalization is especially well-documented in the area of signals intelligence (SIGINT, i.e. intelligence regarding communications data). Like all British-US intelligence cooperation SIGINT cooperation began during World War II. Its level of institutionalization has been remarkable from its beginnings. It evolved in the formal (yet classified) UKUSA agreement, whose core is constituted by a collaboration agreement between the US American National Security Agency (NSA) and the British Government Communications Headquarters (GCHQ) to which Canada, Australia and New Zealand have acceded as Second Parties. Anglo-American cooperation has produced a dense web of interactions at all levels, from governmental decision-making to everyday operations.

Other areas of security cooperation, e.g. military cooperation, could be added. Most importantly, at the end of the Cold War there are no institutions which would link the UK in a comparable manner to its European partners. In terms of post-Cold War incentives the institutions had quite clear implications. They were strong forces for continuity as can be demonstrated when we briefly review the different sources of institutional resilience. For both areas of cooperation, set-up costs are formidable. In both areas this concerns not only the knowledge that is transferred through

[16] The missiles themselves belong to a pool of D5 missiles held by the US at Kings Bay, Georgia (Butler/Bromley 2001: 22 f., Archer 2002: 10).

institutionalized interactions but also technical infrastructure that is tied to Anglo-American cooperation, e.g. the production and servicing of warheads and missiles and the global network of satellites and listening posts. Coordination effects exist in both areas even though they are not so strong that they would be likely to be of major concern. Coordination of submarine patrols or the specialization for information gathering in certain areas of the world are examples for such benefits from cooperation for the UK. Adaptive expectations will also be a force for continuity, albeit more pronounced in the area of nuclear cooperation. As concerns intelligence cooperation, the US did not send out signals that it wanted to end intelligence cooperation after the end of the Cold War. After all, the US would have had something to lose itself. On the other hand, however, the US is certainly far less committed to the cooperation than the UK because it possesses all necessary capabilities for intelligence collection and analysis on a global scale itself. Moreover, the US has demonstrated that it will choose not to cooperate fully with the UK in this area if it deems such cooperation not in its interest as was the case during the Falklands War and the 1991 Gulf War (Heuser 2005: 151, Urban 1996: chap. 5). Hence there will be no clear expectations on the British side that the US will stick to the institutions in times of crisis. This is different in the nuclear realm where intense cooperation was evidently more beneficial for the US in terms of policy influence, especially when compared to a situation in which Britain was pursuing an autonomous nuclear policy. Since the agreements in both areas are classified it is difficult to say anything about formalized obstancles for institutional change. Vested interests, however, evidently existed with the US having an interest in maintaining the lopsided institutions as instruments to exert influence, but also on the working level where it would certainly have been quite difficult to convince those individuals and administrative groupings involved in long established regular interactions with their US counterparts to disrupt these interactions.

Overall then the institutions of security cooperation in which British security policy had become embedded during the Cold War created formidable obstacles for adjusting British policy immediately after 1990. Although the shift in the international distribution of power induced the UK to seek additional capabilities and autonomy from the US, the institutional environment was a strong force for continuity. Arguably the advantages of continuity were much stronger for Britain than for any other European state. How did the British government respond to this incentive structure?

The British response

Throughout the 1990s, British security policy addressed both aspects of the incentive structure. Yet there can be no doubt that for a considerable period of time UK policy was heavily biased towards safeguarding Anglo-American institutions. For several years, the UK would rather have foregone autonomy gains than endanger British-American security cooperation. But, as the structure-based framework suggests, this one-sided position produced increasing costs and ultimately became untenable. This resulted in a significant policy shift in 1998.

Britain began to support strengthened European defense cooperation early on, but it differentiated in its policies between the three major organizations. Within *NATO*, the UK strongly supported strengthened European cooperation. In particular it was the driving force behind the creation of NATO's Allied Command Europe Rapid Reaction Corps (ARRC) (Manners 2000: 192; Rynning 2005: 61). The ARRC, which was to be "the principal focus of national resources for any out-of-area capability" (Forster 1997: 39), had a decidedly European bend, with the UK acting as a framework nation and commanding it and the corps itself being comprised almost exclusively of European contributions. Thus it was a visible expression of the intention to create a component for European-led military operations inside the Alliance. However, autonomy in deploying the ARRC was severely limited. It was part of NATO's integrated military structure. And, like NATO at large, it depended heavily on crucial US capabilities, especially with respect to strategic lift and satellite communications (Saracino 1994: 34 f.).[17]

[17] See also NATO Rapid Reaction Force May Focus Attention on U.S. Strengths, Aerospace Daily 158: 42, 29 May 1991, 344.

Secondly, Britain also supported, somewhat more reluctantly though, beefing up *WEU* capabilities and strengthening this European-only organization. In the context of reform discussions, the UK and Italy put forward a joint proposal calling for the creation of a WEU rapid reaction force which would be able to intervene outside the NATO area.[18] The idea was fleshed out in May 1992 when Britain put forward a proposal to enable WEU to draw on units from member states' forces for operations outside the NATO area (Duke 1994: 223). Britain's proposal and the subsequent creation of Forces Answerable to WEU (FAWEU) demonstrate that the UK was not content with strengthening European defense cooperation only within NATO. But it also demonstrated the limits of Britain's autonomy-seeking in the early 1990s because even after the creation of the FAWEU WEU would continue to depend on NATO for the provision of almost all strategic capabilities and Britain did not put forward any proposal as to how to resolve this problem.

Thirdly, Britain had a permissive stance towards the discussion of security and defense issues within the *EC/EU*. Yet Britain was keen on emphasizing that this role remain restricted to the political realm and that the EU not be equipped with military capabilities of its own. The Anglo-Italian proposal of October 1991, for instance, did not take side with the outright opponents of any defense role for the EC/EU (especially Ireland and Denmark, see van Eekelen 1998: 59-61), but put forward the idea that EU members should cooperate in foreign and security policy with a view to establishing, in the long term, a common defense *policy* (Menon et al. 1992: 109).[19] However any proposal for any form of EC/EU military capability was fiercely rejected.

Overall then, in the early period up until around 1992, Britain in general supported a strengthening of European cooperation in the defense field. Where the creation of capabilities was concerned, the UK opted for institutional solutions that were embedded in or closely linked to NATO (in NATO or WEU). Policy coordination, in contrast, was also supported outside the NATO framework

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[18] An Anglo-Italian Declaration on European Security and Defence, 5 October 1991, reprinted in Laursen/Vanhoonacker (1992: 413 f.).

[19] ibid., para. 2.

(also in the EC/EU). Against the backdrop of the incentive structure outlined above this policy can be read as an attempt to increase European autonomy vis-à-vis the US while minimizing the cost to existing institutional ties. While the policies remained within the policy space opened up by the incentive structure, the UK tended to lean towards continuity. This may be regarded as a balanced response to the ambiguous incentive structure Britain faced at the time. However, in the years to come the UK did in no way open up for the realization of autonomy gains but continued to pursue its policy of safeguarding Anglo-American cooperation at the cost of potential autonomy gains. This increasingly generated negative effects for Britain.

In the mid-1990s, British policy continued to keep Europeans from organizing autonomous capabilities outside the NATO context. The UK supported attempts to make WEU capable of leading European-only military operations but the support was largely restricted to measures that tied this capability to NATO. In particular, Britain was a fervent supporter of the Combined Joint Task Forces (CJTF) concept.[20] The idea behind CJTF was to create deployable headquarters within NATO that could be made available to WEU at its request and then used to lead a WEU operation. They would remain NATO assets, though, and thus make the WEU capability to deploy troops dependent on the Alliance. There was also some modest British support for autonomous WEU planning capabilities (Bailes 1997: 55), but this would not have changed WEU's continued dependence on NATO in case of an actual operation. During the negotiations for the Amsterdam Treaty Britain moreover fiercely resisted any attempt to introduce the issue of a common European defense or a common EU military capability and, in particular, the idea of a WEU-EU merger in the European Union Treaty.[21]

[20] Christopher Bellamy: Military Planners Work out Mechanics of Peace, The Independent, 11 January 1994, 10; Earle Howem Parliamentary Under-Secretary of State, Ministry of Defense, HL Deb 27 November 1995 c23W; Address by John Major to the Assembly of Western European Union, Assembly of Western European Union Proceedings, Extraordinary Session, February 1996, 74-81; Bellamy, Christopher: Military Role for EU Opposed by Britain, The Independent, 24 February 1996, 11; Karacs, Imre/Dejevsky, Mary: The Europe Debate: Shedding of US Ties Satisfies Nato Members, The Independent, 4 June 1996, 9.

[21] White Paper on the 1996 Intergovernmental Conference, vol. II, http://www.europarl.europa.eu/igc1996/pos-en_en.htm [08.11.2007]; Address by John Major to the Assembly of Western European Union, Assembly of Western European Union Proceedings, Extraordinary Session, February 1996, 74-81, 77; Karacs, Imre/Dejevsky, Mary: The Europe Debate: Shedding of US Ties Satisfies Nato Members, The Independent, 4 June 1996, 9; Rifkind Attacks EU Defense 'Folly', Press Association, 24 March 1997.

The analytical framework proposed here posits that this continued resistance to pursue autonomy gains is likely to come at a price. This is suggested by the structural realist component of the framework. States that do not safeguard their autonomy under conditions of unipolarity become dependent on the hegemon and this may have detrimental consequences for their ability to assert their security goals. This, in turn, is costly and may have negative repercussions on their security. Once such detrimental consequences actually occur, the pressure for adjusting policies rises.

The further development of British policy reflects this mechanism. The failure to pursue autonomy gains stabilized dependence from the US which had a variety of negative consequences for British policy. They became apparent especially in the context of the wars in Yugoslavia. Repeatedly European and US positions on how to deal with the conflicts in ex-Yugoslavia diverged significantly, not the least because Europeans were geographically much closer to those conflicts and had to deal with their fallout much more directly. Britain found itself on the European side and in conflict with the US. Europeans, however, were not in a position to assert their interests because of the superior position of the US in NATO and because they were heavily dependent on US capabilities for intervening in the conflict. This dependence had not been caused by Britain but perpetuated in particular through British policy. Conflicts over Bosnia demonstrated to Britain that the US was willing to assert its position even in situations in which British security interests were at stake. This became particularly visible in 1993/4 when the US administration intended to lift the arms embargo in order to enable Bosnian Muslims to defend themselves. Britain, which had its own soldiers on the ground as part of the UN's UNPROFOR mission, feared for the security of its troops and was strongly opposed to this policy. Nevertheless it had to learn that the US was unwilling to compromise. Disagreements went so deep that the UK and the US voted against each other in the UN General Assembly on two resolutions that called for an end to the arms embargo against Bosnia in December 1993 and November 1994.[22] A similar rift occurred during the Kosovo war when US military

[22] The UK abstained and the US voted yes on Resolutions A/RES/48/88 (23 December 1993) and A/RES/49/10 (3 November 1994). On both resolutions all EU members abstained; see UN Voting Record at http://unbisnet.un.org [06.11.07]

superiority was translated in US dominance over the decision whether, when and how to go to war with Serbia.

Thus US superiority, based on the unequal and unbalanced distribution of power in the international system, caused real security-related costs even for their closest allies. Before these experiences the UK government had done little to mitigate US superiority and to reduce the potential costs associated with it. Yet the actually incurred costs were now of key importance in altering the position of the UK towards the creation of autonomous military capabilities for the EU. We can see several changes in Britain's European security policy already after the Bosnian war which can be understood as an adjustment to the international incentive structure. First, military cooperation with European partners was intensified albeit at the bilateral level only at first. This is understandable since bilateral institutions are less costly to set up and they can create opportunities for autonomous action without implying a dramatic shift in allegiance and provoking retribution from the US. From the viewpoint of the analytical framework such institutional innovations, however, have the potential of altering the overall institutional matrix. They come with their own resilience and with their own path dependence effects. Thus they make further steps in this direction more attractive. This has the potential of setting off an incremental process of institutional modification and innovation. In the British case, we can indeed see such an incremental process even though it has hitherto received little attention in ESDP research. In particular, Britain intensified military cooperation with France with which it had closely collaborated during the war in Bosnia. Most importantly, Britain and France set up the Franco-British European Air Group in November 1994[23] which can be regarded as a direct result of their cooperation Bosnia.[24] Against the backdrop of the international incentive structure it is telling that cooperation was intensified at first in areas in which it did not pose any direct challenge to Anglo-American collaboration. Franco-British cooperation was also strengthened in the nuclear

[23] Buchan, David: All Cordial at UK-French Summit, Financial Times, 19 November 1994, 2.

[24] Sheridan, Michael/Bellamy, Christopher: Lesson of Bosnia Draws London and Paris Closer, The Independent, 31 October 1995, 10.

realm. This cooperation too was carefully crafted to exclude the most important aspects of nuclear cooperation between the US and the UK, i.e. procurement and operational issues (Butcher et. al 1998: chap. 4).[25]

In addition to these careful institutional modifications, which would later turn out to be the nucleus of the British policy shift in St. Malo, the costs incurred through dependence from the US created growing dissatisfaction within the British government. This did not immediately affect official governmental policy. But its first traces could be detected at the administrative level already under John Major. In the context of the negotiations on the Amsterdam Treaty there was increasing support for deepening EU security cooperation within the Foreign and Commonwealth Office (FCO) and the Ministry of Defense (MOD). Policy change, it seems was in store and only blocked by top-level decision-makers. Jolyon Howorth (2004: 220) holds that "it is an open secret in Whitehall that officials in both the FCO and the MOD had, by 1997, reached their wits' end in trying to feed new security ideas into a government that simply did not want to listen" (Howorth 2004: 220). This confluence of changing attitudes and new institutional opportunities eventually was crucial for bringing about the St. Malo change in the British position.

From this viewpoint, then, it is easily explicable that the change in the British position started with a Franco-British initiative and thus from the newly created bilateral institutions of military cooperation. In contrast to a widely held view, the St. Malo process was not spontaneous and not set in motion by the infamous Cooper memorandum, a confidential FCO memorandum from May 1998 calling for the integration of WEU into the EU (e.g. Whitman 1999: 6; Williams 2002: 5). Within the British government the re-assessment of British policy towards an autonomous European military capability already began much earlier and as a result of dissatisfaction with dependence from the US. As indicated above, debates within the FCO and the MOD were well underway in 1997. Once a window of opportunity opened through the demise of the Major government, these debates spilled

[25] Keith Vaz, Minister for Europe, FCO, HC Deb 6 March 2000 c500W. On the areas covered by Franco-British nuclear cooperation see also Butcher et al. (1998: chapter 4).

over in the drafting of the Strategic Defence Review (SDR) whose final text of June 1998 accorded the EU's Common Foreign and Security Policy a "vital role" (Howorth 2004: 221). More significantly, a Franco-British defense initiative was in the making already in spring 1998. In March Tony Blair announced his intention to come forward with a Franco-British initiative on joint military crisis intervention, listing this as one of several potential areas for Franco-British cooperation within the EU.[26] This process eventually led to the reformulation of British policy, which was announced by Tony Blair in October 1998 and formalized in the St. Malo Declaration of December.

Analyzing the process we thus see links between the rising costs of British policy, caused by the misfit between policy and the international incentive structure and the eventual policy adjustment. The costs were first felt and noted in the British administration. The eventual policy was well-adjusted to the international incentive structure in increasing British autonomy from the US and at the same time utilizing existing institutions as a starting point for building up new autonomous capabilities. From this perspective, the change in government opened up a window of opportunity that allowed these mechanisms to work. The importance of the international incentive structure, i.e. of autonomy as a goal and of existing institutions as a useful starting point, are highlighted by statements from policy-makers at the time. Tony Blair, for instance directly linked the Franco-British initiative to improved defence contacts between France and Britain that had emerged during the previous government.[27] His spokesman, Alastair Campbell, highlighted the importance of autonomy gains when he explained the new British support for autonomous European capabilities to the press:

> "'We could put together an operation with, say, France, Belgium, Italy and Spain, in a way that meant we did not have to rely the whole time on the Americans,' said Campbell. 'It

[26] Prime Minister's speech to the French National Assembly, 24 March 1998, http://www.number10.gov.uk/output/Page1160.asp [14.11.07].
[27] ibid.

would be consistent with us being members of NATO, but would not necessarily rely on everything being decided by the Americans.'"[28]

Analyzing British policy with a structure-based framework thus casts the British policy shift in a somewhat different light than it is usually conceived. This is not to suggest that the Kosovo experience or Tony Blair's personal conviction that Britain should play a leading role in Europe (e.g. Jonson 2006: 165 f.; Penksa/Mason 2003: 277; Howorth 2000: 25) have nothing to contribute to a full account of British policy. But it helps to put these contingent aspects into a wider context. Ultimately they became so important because British security policy was set in a certain context whose shape and consequences are made visible by structural theories of IR and to which British policy had been badly adjusted in the years before, confronting the UK with rising costs in its security policy.

Conclusion

This paper has argued that theories about the grand structures of the international system can help us to analyze foreign policies — if they are properly applied. Structures do not determine policies and consequently structural theories cannot be used to generate testable hypotheses of foreign policy. Instead of ignoring international structures altogether or focusing on modelling the process by which structural incentives are translated into policy action, I propose a different mode of analysis. This mode would help to keep the focus on structure and at the same time accord it the role it has in the political process: "shaping and shoving" the policies of states without forcing them into single policy paths. Such a mode of analysis focuses on the causes of foreign and security policies but also on their

[28] Prime Minister to Drop Objection to European Union Defence Arm, Associated Press Worldstream, 21 October 1998 5:56 ET.

effects. It spells out the consequences that policies have in a given structural environment and then traces whether and how these consequences affected subsequent policy decisions.

The analytical framework I propose focuses on two key aspects of international structure which have dominated debates in IR theory: the international distribution of power and international institutions. Shifts in the international distribution of power produce incentives to "balance" preponderant power. Balancing in this sense is not restricted to military build-ups or the forging of alliances but refers in general to enhancing capabilities and autonomy in using them. International institutions are resilient against change and generate incentives for continuing on a given policy path, although they do so to different degrees. Policies can be examined against this backdrop and thus long-term dynamics can be made visible. Policies may satisfy structural pressures and thus produce no significant future challenges for the state in question. Yet, as illustrated in the British case, states may also disregard international incentives. This will cause future costs and increase the pressure for adjustment.[29]

One important caveat is in order. This form of analysis should not be mistaken for a prescriptive analysis. It is not intended to suggest that prudent decision-makers *should* adjust to the international incentive structure as quickly as possible. In my case study I in no way mean to imply that Britain *should* have pursued an autonomy-seeking policy, maybe even a confrontational policy vis-à-vis the US. Nor do I imply that British policy-makers acted somehow irrationally because they did not adjust policies more adequately. It may have been perfectly rational for them to make the decisions they made because they faced a host of other constraints and incentives, not least from the domestic level. Rather I want to emphasize that structural accounts of International Relations have some important contribution to make to FPA. It is not the contribution that is often expected from them. They cannot predict foreign-policy decisions or generate testable hypothesis. Yet they

[29] This perspective can, of course, be further broadened when one takes into account that a state's policies may also alter the international structure in which these policies are embedded. In the British case the creation of Franco-British institutions of military cooperation, for instance, altered the incentive structure and further enhanced incentives for seeking autonomy from the US and for intensifying cooperation with France. Ultimately, then, this mode of analysis will result in the analysis of long-term feedback processes between foreign policies and international structure (Gadinger/Peters 2010).

highlight the effects and the costs that foreign policy decisions have because foreign policies are embedded in wider structures. This may be regarded as a contribution to a form of post-hoc explanation that has some resemblance with evolutionary biology. Policies that are not adjusted to external circumstances are more difficult to sustain than others and sustaining them comes with mounting costs. Policies cannot be fully understood without paying attention to these consequences even though policies can seldom be completely put down to them.

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