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**ANALYZING NATO EXPANSION:
AN INSTITUTIONAL BARGAINING APPROACH**

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Unlike most security issues, knowing where one stands on NATO (North Atlantic Treaty Organization) expansion does not help us to easily distinguish between realist and reflectivist views or, for that matter, between hawks and doves. Indeed, when we consider the accession of Hungary, Poland and the Czech Republic in a limited “first wave” expansion of NATO in March 1999, the contending sides become even more muddled. Put bluntly, the conventional theoretical approaches do not help us adequately understand and predict the implications of NATO’s enlargement. Rather than engage in policy advocacy, my purpose is to analyze the debate on NATO expansion and examine the likely implications of this expansion.

To examine the policy process that led to the decision to engage in limited expansion of NATO, I use an “institutional bargaining game approach.”¹ First, I consider the issue of how existing institutions that currently address one or another facet of European security are currently arrayed, and then analyze the debate over possible widening and changing issue scope of NATO. Second, I examine the original impetus for changes in NATO, and consider the factors that led to the initial bargaining game over NATO expansion. I then turn to strategies used by the U.S. to make NATO expansion more palatable by altering this initial bargaining game. In concluding, I show why the Clinton Administration decided to promote a limited widening of NATO, with no significant changes in mission or rearrangement of institutional functions. Despite the widespread concern of antagonizing Russia, and the lack of evidence for benefits from such widening, I argue that this change may not be as detrimental as predicted by many analysts.

¹ See Aggarwal (1998) for a discussion of this approach.

I. THE THEORETICAL INDETERMINACY OF EXISTING APPROACHES

The lack of correspondence between many of the leading theories and the debate over NATO expansion can best be seen through a consideration of some of the key issues related to U.S. policy on NATO widening. First, will the admission of Hungary, Poland, and the Czech Republic lead to a reduced or increased threat to them from Russia? Second, will this expansion stimulate aggressive Russian behavior toward the U.S. -- possibly as a result of the rise of extreme nationalist groups? Third, will the geographical divide between Germany and Russia become a more or less stable area, and what might the implications of expansion be on Ukrainian security? And fourth, will NATO expansion serve as a means of stabilizing social and economic reforms in the transitional states of Eastern Europe?

Using these four questions as a baseline, it is clear that there is no consensus among realists. For example, drawing on balance of power notions, one could argue that expansion *will* destabilize the American relationship with Russia, thereby creating a strong reaction that would lead to an increased threat to the Ukraine, Poland, and Germany. Moreover, the costs of NATO expansion also might be higher than estimated, resulting in a drain of valuable resources that might otherwise be used to bolster NATO's existing military capabilities. But an equally plausible realist argument could be made that enhancing NATO's power projection could stabilize the region between Germany and Russia and keep Germany entrenched in NATO. Moreover, this effort may well signal to Russia that the U.S. is serious about its new sphere of influence and could be seen as a logical strategy to pursue when one's adversary is weak. Thus, one could argue that the contributions made by the military of the new entrants will far outweigh the economic costs.

At the other theoretical extreme, reflectivists find themselves equally divided. John Ruggie, for example, draws on the notion of security communities to suggest that NATO expansion is dangerous.² He claims that this action detracts from the central concern of having the European Union (EU) take on a larger role in security relations with respect to Eastern Europe. Moreover, Ruggie argues that expansion needlessly provokes Russia, and suggests that this move will simply prevent the EU from tackling the problem of its own widening. But one could equally well make the plausible reflectivist argument that limited expansion is a logical step toward fulfilling the need to create a security community that is broadly encompassing in Europe. From this perspective, NATO's measured expansion, together with appropriate economic plans and assurances to the Russians, will help to stabilize the region as a whole.

Similar to the ambiguity of theoretical debates, the policy-oriented discussion between and among hawks and doves also lacks consensus. For example, hawks argued both for and against NATO expansion. On the one hand, some felt that 1999 was an appropriate time to move against the Russians and assert U.S. power-- given that Russia had been weakening. Others argued that President Clinton was too cautious, and that accepting only a few members sent the wrong signal. By moving forward slowly, he is sending the signal that the U.S. is only peripherally concerned about nonmembers. From this perspective, more countries such as Romania, Slovenia, and Bulgaria should have been accepted at the same time to maximize the return on the U.S. display of resolve.

More dovish thinkers support the Russia-NATO agreements and formation of the NATO-Russia Council as a way of indicating the lack of U.S. aggressive intentions in the

² Ruggie (1997).

region. They also believe that NATO will help stabilize the region by encouraging the formation of democracies. However, other doves are equally dismayed that the U.S. should be engaging in actions to provoke the Russians when there is currently little perceived Russian threat to the East Europeans, or for that matter, the U.S.

In short, my reading of the discussion to date suggests that realist or reflectivist theories, as well as cruder ideological stances, do not provide us with a clear foundation to understand the implications of NATO expansion. Rather, analysts from these different schools appear to be simply using the veneer of theory to mask their own personal views in light of the underlying theoretical indeterminacy about the benefits and costs of this particular foreign policy action.

II. WHITHER NATO?

To examine the question of how NATO's expansion proceeded and might develop in the future, as well as shed light on the implications of different possible paths, it is helpful to make some analytical distinctions. One critical issue that NATO faces is how to change its mandate. While most analysts have focused on the question of the accession of new members, it is useful to consider the "expansion" of NATO based on two questions. First, should NATO continue to widen to encompass new members, and if so, how many members should be added? Second, should this organization change its mission to include new tasks? Examples include the management of ethnic conflicts, peacekeeping, promotion of democracy, economic development, and the like. And finally, of course, the two other logical options are to maintain the status quo or to both widen and change mission at the same time.

These questions raise the issue of how NATO might fit with other institutions involved in the region, in particular the EU. We can consider two approaches to reconciliation. First, institutions might be linked or structured in an organized and somewhat hierarchical fashion. I have termed this an example of “nested institutions.”³ Alternatively, they might be reconciled through a division of labor, or what I call parallel linkage. To illustrate these concepts, we can consider the development of the Asia-Pacific Economic Cooperation grouping (APEC) in 1989 and its relationship to the General Agreements on Tariffs and Trade (GATT). APEC's founding members were extremely worried about undermining the GATT, and sought to reconcile these two institutions by focusing on the notion of "open regionalism." APEC members saw this as a better alternative to using Article 24 of the GATT to justify this accord, a provision that permits the formation of free trade areas and customs unions. Although the interpretation of "open regionalism" continues to be contested, the idea behind this concept was that while the members of APEC would seek to reduce barriers to goods and services amongst themselves, they would do so in a GATT-consistent manner.⁴

An alternative mode of reconciling institutions would be to simply create "parallel" institutions that deal with separate but related activities -- as exemplified by the GATT and Bretton Woods monetary system. In creating institutions for the post-WW II era, policymakers were concerned about a return to the 1930s era of competitive devaluations, marked by an inward turn among states and the use of protectionist measures. As a consequence, they focused on creating institutions that would help to

³ Aggarwal (1998).

⁴ For a discussion of APEC's fit with GATT, see Aggarwal and Morrison (1998).

encourage trade liberalization. By promoting fixed exchange rates through the IMF and liberalization of trade through the GATT (following the International Trade Organization's (ITO) failure), policymakers hoped that this parallel institutional division of labor would lead to freer trade. In the European context, one can see the development of the European Economic Coal and Steel Community and the Western European Union (WEU) as parallel organizations. The first was oriented toward strengthening European cooperation in economic matters (with, of course, important security implications), while the WEU sought to develop a coordinated European defense effort.

In the NATO context, what do these types of institutional reconciliation imply? A number of institutions, besides NATO, play a role in the European arena. These include the WEU, the Organization for Security and Cooperation in Europe (OSCE), the EU, and most recently, the United Nations High Commission for Refugees (UNHCR) in coping with refugee problems in Kosovo. In addition, in the Bosnian crisis, the UN was involved in security discussions in the region. Thus, parallel institutions would imply a division of labor and little overlap in the role of these organizations. By contrast, a nesting arrangement might lead to overlapping functions, but in the context of a clear ordering of institutional roles and mandates that did not divide simply along narrow functional lines.

To facilitate an exploration of the issues of expansion of NATO and institutional reconciliation, it is useful to array these dimensions as in Figure 1 and consider various options that NATO members might pursue as they make efforts to change NATO.

FIGURE 1: WHITHER NATO?

HOW TO CHANGE NATO?

		NO CHANGE	WIDEN	MISSION CHANGE	WIDEN AND CHANGE MISSION			
PARALLEL <i>HOW TO RECONCILE INSTITUTIONS?</i> NESTED	Status Quo Ante (Division of labor among NATO, EU, OSCE, WEU)	(A)	Incorporate new members without task expansion (How many members to add and when?)	(C)	Develop new tasks (Intervene in regional conflicts, manage ethnic conflicts?)	(E)	Incorporate new members with task expansion (Stabilize new members in addition to other tasks?)	(G)
	Restructure relationships among institutions (What ordering among institutions?)	(B)	New members and reorder relationships among institutions	(D)	Develop new tasks and agreement on institutional ordering	(F)	Incorporate new members with task expansion and reorder institutions	(H)

THE PUZZLES:

- (1) Why change policy?
- (2) Which cell should one move to?

FIGURE 1 HERE

The combination of these two ideas gives us a first cut into where NATO stood before the decision to widen. Cell A shows the status quo ante, before the decision to widen was made, and points to a division of labor among several institutions with mandates in Europe. Cell B indicates the possibility of restructuring relationships among institutions (say OSCE and NATO, for example) without being accompanied by any widening or change in tasks. The next two cells, C and D, consider the prospects for widening, with D also indicating that institutions would be restructured. Turning next to E and F, the first case reflects an agreement among NATO members for the organization to pursue a range of new tasks, not previously central to the institutional mission. If such a change took place, as in cell F, we would see such task changes and/or expansion accompanied by new institutional ordering. Finally, Cells G and H point to a very significant transformation of NATO with new members and task expansion in the first case, and an additional reordering of institutions in the latter.

We can now consider two questions. First, what impetus was there to change policy, that is, to move away from the status quo as indicated in Cell A? Second, what cell was this policy likely to move to? To better understand the actual outcomes, it is of course essential to consider why other possible outcomes were not chosen. Each of the cells that are depicted in Figure 1 can actually be seen as the result of several different bargaining games, even though they are combined in this figure. Thus, the question of NATO widening can be seen as a game primarily between the U.S. and Russia, with key input from both existing NATO allies and pressure from East European countries to join. The issue of NATO task expansion primarily involves the NATO members. And the question of restructuring

institutions, while primarily a NATO issue, also crucially concerned the Russians and the OSCE. Finally, the interaction of the different games is also something that influences the outcome of any single game.

Given the complexity of the multiple players and games involved in the question of NATO expansion, it is not a simple matter to depict the bargaining process in each game. However, to shed light on some of these processes, it is useful to consider the notion of institutional bargaining games as a schematic to derive insight into the bargaining process. It is to these tasks that we now turn.

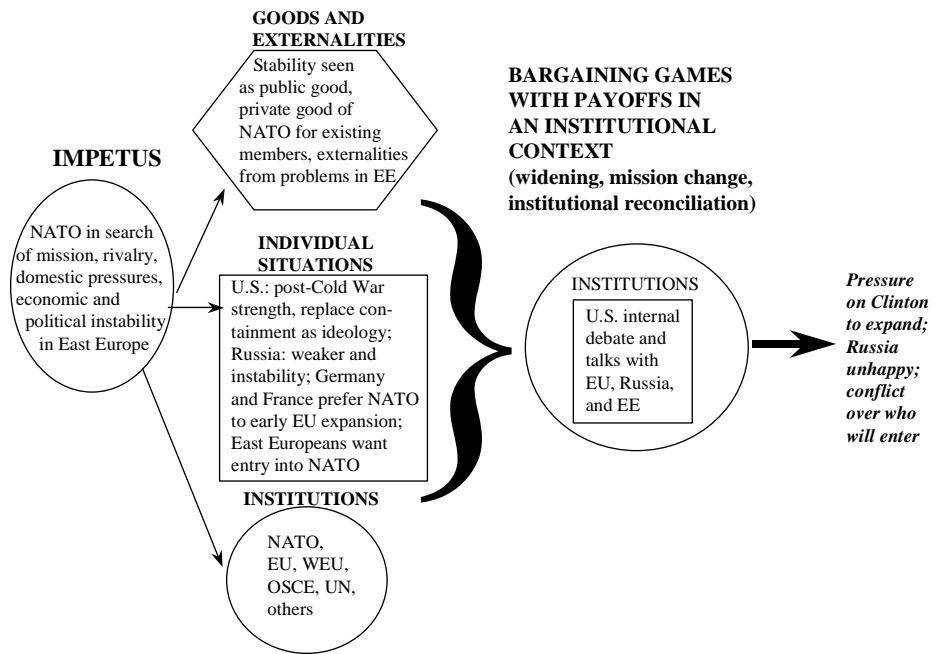
III. INSTITUTIONAL BARGAINING GAMES FOR NATO EXPANSION

To understand how NATO might be transformed, we can utilize the theoretical arguments that I have developed in *Institutional Designs for a Complex World*.⁵ We can first consider the nature of an impetus that challenges the status quo. The result is to set in motion one or more bargaining games constituted by elements consisting of goods and externalities, actors' individual situations, and institutions. Together, these factors can be combined to yield bargaining games with payoffs for different actors. Figure 2 depicts the elements of the initial NATO bargaining games set in motion by the initial impetus of the end of the cold war.

FIGURE 2 HERE

⁵ Aggarwal (1998)

FIGURE 2: NATO INSTITUTIONAL BARGAINING GAMES



In general, an initial impetus significantly alters the preexisting bargaining context. Examples include the oil shock of 1973, the breakdown of the Bretton Woods system in 1971, and as, noted, the end of the Cold War following the collapse of the Soviet Union. In the NATO case, the end of the Cold War led to several significant changes for NATO. First, and most obviously, NATO found itself in search of a new mission. As the former Soviet Union began to weaken, NATO's *raison d'être* came to be questioned. What mission should the institution pursue — if not containment of the former Soviet Union successor states? Second, as East Europe began to undergo a dramatic transformation, the question of what countries and what institutions would take the lead in bearing the cost of stabilizing these newly changing states came to be an issue that was hotly contested by NATO and the EU. Much debate occurred on whether the EU should rapidly expand eastward, tying these countries economically into the union, or whether NATO should take the lead. Third, ethnic pressures to widen NATO emanated from groups in the United States with ties to their former homelands, thus enmeshing an electoral logic with the future of NATO.

The result of these pressures affected three elements, leading to bargaining games over the future of NATO. The first of these factors, goods and externalities, strongly influenced the bargaining games. Different types of goods were involved in this case. Stability in Eastern Europe and the region more generally can be seen as a public good from which all could benefit. At the same time, NATO itself could be seen as a private good that benefited its members, allowing for exclusion and little jointness. Put differently, extending NATO to include other states could diminish the good of security

for its members. And finally, both economic and political problems in Eastern Europe can be seen as leading to externalities such as economic disruption, immigration flows, and other effects that would potentially damage NATO member states -- and possibly the EU member states and the stability of the EU itself.

To better understand the implications of this basic characterization of the "type of goods" involved in an issue area, we also need to consider the effects of actors' individual situations and institutional context within which interaction takes place. Put differently, knowing the types of goods only gives us a first cut into understanding the nature of problems that actors face and their incentives. Knowledge of the types of goods involved in the bargaining by itself does not allow us to adequately determine specific payoffs of games because the position of national actors or the institutional setting may alter the bargaining problem. In NATO's case, different countries had varying interests stemming from their individual situations as defined by their (1) international position (both issue specific and overall capabilities); (2) domestic coalitional stability; and (3) elite beliefs and ideologies. While the logic of the choice of these factors is discussed elsewhere,⁶ here we can focus on a rough description of the positions of some key actors, namely the U.S., Russia, Germany, and France.

The U.S. clearly emerged as the dominant power in the region and internationally with the collapse of its arch-rival, the Soviet Union. Thus, at the overall level, and specifically in the region, the U.S. clearly assumed an unchallenged position in the system. Domestically, as noted above, considerable dispute over whether to expand NATO or not ensued as a result of differing perceptions of strategic interests and the

⁶ Aggarwal (1998).

electoral concerns faced by the Clinton Administration. And at the ideological level, the question of what type of global strategy would come to replace containment has become an issue of significant dispute. Russia emerged as the key successor state to the Soviet Union in dramatically weakened shape, both economically and militarily. In addition, domestic instability continued to plague Russia, with the rise of a host of competing political interests and extremist groups. Germany and France were eager to see NATO take on the role of stabilizing Eastern Europe, rather than placing this burden on the European Community (EC). As the EC struggled to move forward with its own deepening, a result of the Maastricht Treaty negotiated in 1992, these states saw NATO expansion as a ready substitute in the short run for EC (and now EU) widening. Finally, Eastern European countries were for the most part eager to join NATO – both as a security guarantee and as possibly facilitating their integration into the EU.

The Institutional Context

As states attempt to secure their preferred outcomes, they will interact strategically, possibly in the context of one or more institutions. Institutions will influence how actors interact, and may provide either focal point solutions for coordination games or may help states to overcome collective action problems.⁷

⁷ See Art Stein, 'Coordination and Collaboration: Regimes in an Anarchic World', in Stephen Krasner (ed.), *International Regimes* (Ithaca: Cornell University Press, 1983), pp. 115-140; Duncan Snidal, 'Coordination versus Prisoners' Dilemma: Implications for International Cooperation and Regimes', *American Political Science Review*, Vol. 79, No. 4 (Dec. 1985), pp. 923-942; Robert Axelrod and Robert O. Keohane, 'Achieving Cooperation under Anarchy: Strategies and Institutions', *World Politics*, Vol. 38, No. 1 (Oct. 1985), pp. 226-254; Lisa L. Martin, 'Interests, Power, and Multilateralism', *International Organization*, Vol. 46, No. 4 (Autumn 1992), pp. 765-792.

Institutions are also likely to have important distributive consequences, and may influence actors' bargaining behavior by tying the hands of both other international and domestic actors.⁸ In the case of NATO expansion, several institutions can be considered as possibly influencing the nature of the bargaining. For example, the EU, as already discussed, could potentially serve to stabilize Eastern Europe and promote democracy in the region. Indeed, several U.S. analysts and senators have argued that the EU should take the lead on expansion, rather than NATO. Similarly, the OSCE which already involves 55 states including Russia could possibly work to enhance security in the region. The OSCE has concerned itself with democratic institutions, minority rights, and various types of confidence building measures that might allow it to play some of the roles sought for NATO through its widening. At the same time, the lack of military recourses and the participation of such a large number of members had hindered the institution's effectiveness in accomplishing some of the goals sought through NATO expansion. The WEU, the presumptive defense arm of the European Union, provides another institutional structure within which some of the goals of stabilizing security in Eastern Europe might take place. With the notion of Combined Joint Task Forces (CJTFs) that would involve NATO and the WEU, the possibility of some division of labor with NATO has also been raised. Finally, the United Nations has some potential impact on security in the region, although its performance in the Bosnian crisis did not suggest that this institution could displace NATO.

NATO Bargaining Games

⁸ See Aggarwal (1985) and below on the use of institutions to control other actors. For additional

We can now attempt to combine the three elements of goods, individual situations, and institutions to gain insight into different types of institutional bargaining games. Understanding how such games are constituted will also give us insight into the strategies that actors might subsequently pursue in an attempt to change the games in which they find themselves. It is worth noting that an exact *a priori* specification of the effect of the three elements on game payoffs is a difficult if not impossible task. Thus, we can only indicate the general contours of the resulting games and likely outcomes. As suggested in Figure 2, the resulting bargaining games over NATO expansion consist of several key national actors (the U.S., Russia, Germany, France, and East European states) as well as pressures from institutions.

Let us begin with the game of widening, referring to Figure 1 on the possible choices. In this game, we can consider three possible outcomes: continuing with the status quo, limited widening, and significant widening. In the strategic interaction between the U.S. and Russia, as well as the other players, a key issue would be the extent of opposition to widening by Russia and the demand for widening in the U.S. Russia did not readily perceive that NATO and its further expansion would provide a public good from which it and other states would benefit. Instead, the good was quite clearly seen as a private one, with benefits accruing only to members. Turning to the individual situations of countries, in view of domestic pressure in the U.S. to widen, and the strong post-Cold War position of the U.S., the payoffs from limited widening could be relatively high for the Clinton Administration. In the initial stages of the U.S. domestic bargaining

discussions, see Krasner (1991) and Knight (1992).

game (not analyzed here)⁹ the debate centered around possible use of informal cooperation between NATO and the militaries of East European states (the Partnership for Peace or PFP) as a mode of conciliating pressures for widening. This status quo position was acceptable to most in Washington, D.C. in the initial stages. But as domestic pressures grew and Clinton himself became more committed to widening, PFP began to recede as an option and limited widening became the U.S. policy objective. The key issue affecting the U.S. payoff from such widening was of course the extent to which the Russians would oppose this action, as well as the contribution that the Europeans would make both financially and in terms of permitting early EU accession by East European states. For the Russians, no NATO expansion would be best, with gradual erosion of NATO itself being optimal (see the discussion below on changing tasks and rearranging institutions). But in view of its relatively weak position, any concessions in other arenas as well as the most circumscribed expansion would be a fallback position. For France and Germany, expansion of NATO without financial commitment or a promise of EU aid or expansion would provide an optimal outcome.

Turning to NATO's mission scope, there was considerable agreement by all parties that many new roles for NATO was not an option. Indeed for the Russians, a "shallowing" of NATO and displacement to other tasks would diminish the perceived threat that it faced. But again, given its relatively weak position, this was hard for the Russians to promote. For the U.S. and others, changing NATO's mandate or expanding it would not suit any major internal coalition's interest and thus proved to be ruled out.

⁹ See Goldgeier (1997) for an excellent discussion of how the U.S. decided to shift from promotion of the PFP to actual widening of NATO.

Finally, with respect to institutional restructuring, the U.S. could possibly allow some other institution to take on a key security role. Given the problems in the UN, the leading contenders could be a restructuring and nesting of NATO within OSCE or NATO-WEU operations under joint U.S.-EU arrangements. But for the U.S. military, and many other interests backing this view, such a change would be anathema, as it would place U.S. soldiers under joint leadership or simply lead to a cumbersome decisionmaking process as in the OSCE. This was even recognized clearly by others. In NATO's mission in Kosovo, for example, the French Ministry of Defense complained that Gen. Wesley K. Clark was "responsible not only to the North Atlantic Council but also to his national hierarchy, at the highest level."¹⁰ For the Russians, a shift of security considerations to OSCE would be optimal, as it would then have a more significant voice and undercut U.S. dominance through the NATO process. For France and Germany, greater voice in NATO and use of NATO troops by the WEU would suit their interests. In short, the very low payoffs for the U.S. in view of its individual situation would rule out significant institutional restructuring.

In view of the outcomes of these individual games, such polar combinations as simultaneous widening, task changes, and institutional restructuring were beyond the pale, particularly for the U.S. For Russia, ideal changes could involve dominance by the OSCE with institutional shallowing and little widening. And for France and Germany, in view of their inability to secure significant control over NATO through an EU/WEU process, the outcome of widening looked appealing.

In light of these strategic considerations and constraints, the payoffs in the key widening game would be highest for the Clinton Administration with limited widening, no

¹⁰ New York Times, November 11, 1999, Section A, p.6.

change in mission, and some possible coordination with the WEU to transfer some of the possible military burden to the EU (Possibility “C” in Figure 1). But given that Russian opposition would reduce the U.S. payoff significantly, the next question was: how might the widening game be managed to ensure high payoffs for the U.S.? It is to this question that we now turn.

IV. ALTERING THE NATO EXPANSION GAME

When will actors make efforts to promote game change? Logically, they consider their existing payoffs in the current bargaining game and compare these with their projected payoffs from instituting some form of game change. To make this calculation, states evaluate their ability to secure more favorable outcomes by assessing their own power resources in light of their own individual situation and that of their opponent(s). The relevant power resources that they might use include material capabilities, either issue specific or overall, appeal to like-minded allies, and institutions as a power resource.¹¹

Figure 3 identifies the choices that actors might make in the NATO bargaining game in an effort to improve their payoffs.

¹¹. For a discussion and use of these power resources in different bargaining situations, see Aggarwal and Allan (1983) and Aggarwal (1996). From a neorealist perspective, Waltz (1979) discusses the options of self-help and appeals to alliances as options for states.

FIGURE 3: THE NATO EXPANSION GAME

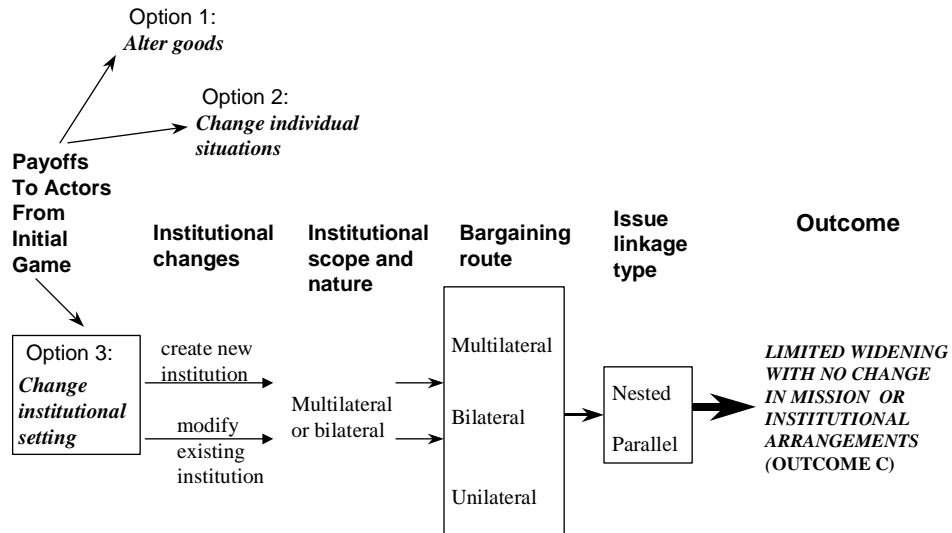


FIGURE 3 HERE

As this figure illustrates, actors have three options. First, they can attempt to directly *manipulate the types of goods* involved in negotiations. An example of this would be the formation of an alliance that excludes other actors. Second, they can alter either their own or their opponent(s)' individual situations. These could include such efforts as overthrowing governments, building up one's own capabilities in specific issue areas, or attempting to change the views of decisionmakers in other countries. Third, they *can change the institutional context* within which actors are operating. If actors choose to pursue an institutional strategy to alter games and influence bargaining outcomes, actors seeking to make game changes must make several additional decisions. Specifically, they must: (1) decide if they would be better off by creating a new institution or modifying the existing one(s); (2) choose the characteristics of the institution that they want (and specifically, for our interests, the institutional scope); (3) select the bargaining route they want to follow; and (4) decide whether to engage in issue linkages, and if so, the type and nature of these connections.

Altering Goods

In the case of the NATO expansion game, the U.S. pursued a multipronged strategy to ensure that it would receive high payoffs by reducing Russian opposition to NATO expansion. Turning first to the nature of good, the U.S. attempted to give the Russians some access to the private good of the NATO alliance while also emphasizing the public good aspects of the alliance. By brokering a bilateral U.S.-Russia arrangement under the U.S.

Partnership for Peace program (June 1994), the U.S. allowed the Russians to save face by avoiding direct Russian subordination to the NATO alliance. Under the terms of this agreement, the Russian military voluntarily participates in expensive, multinational war games and other high-level strategic response teams. Although Russian participation in the PFP has fluctuated dramatically—even freezing its commitment in January 1995, it has generally agreed to the terms of this agreement albeit in protest to further NATO expansion. The later NATO-Russia agreement reflects the coexistence of the U.S. Partnership for Peace agreement with the U.S. explicitly stating that the primary purpose of NATO expansion is to become the basis for a more comprehensive security cooperation program for all.

Changing Individual Situations

In order to make a NATO-Russia agreement more palatable to both domestic audiences and other NATO members, U.S. policy efforts were directed at bolstering Eastern European transitional democracies. In addition, the Clinton Administration intended to build upon the warm, personal relationship established with President Boris Yeltsin by not pursuing NATO expansion ratification until after domestic elections.¹² In this connection, the Joint NATO-Russia Council formation at the end of May 1997 was designed to recognize Russia's special status in the region. In Brzezinski's words, the council is an "acknowledgement of Russia's role as a regional power; and that it is entitled to be NATO's partner—though not a member—regarding common security issues."¹³

¹² See Goldgeier (1997), p. 18.

¹³ Financial Times, May 27, 1997, p.20.

In an effort to decrease Russian opposition domestically to NATO widening as well as diminish U.S. opposition by signaling a cooperative relationship with Russia, the U.S. helped pave the way for Russian inclusion in other Western-dominated international political institutions. In this connection, President Clinton and other G-7 members offered to facilitate Russia's entrance into this exclusive group at the Helsinki summit in March 1997. As a result, the G-8 held in Denver in June 1997 was generally interpreted as G-7 concern at softening the diplomatic impact of the recent accord over NATO expansion. Despite their continuing territorial dispute over the Kurile Islands, even Japan abandoned its lone position of Russian G-7 exclusion. Similarly, the U.S. continued discussions with Yeltsin to shore up continued support for economic development while simultaneously securing the inclusion of Russia into the Asia-Pacific Economic Cooperation (APEC) grouping. Following the U.S. lead, Japan has also agreed to intensified economic cooperation in six fields while actively supporting Russia's entry into both the APEC and WTO processes. As a result, Russia became one of the newest members in 1998 (following a 1997 decision to admit it). Because of the special role that the U.S. played in getting Russia into APEC, some analysts from smaller members have criticized the potential "all-powerful politburo" that Washington is creating in consolidating Moscow's position in all global political structures.¹⁴

Changing Institutional Settings

In attempting to decrease Russian opposition to NATO widening, in addition

¹⁴ Russian Press Digest, November 27, 1997, Document 17.

to efforts of altering goods and individual situations, the U.S. also promoted the development of a new “institution” and the modification of NATO itself. We turn first to an examination of NATO-Russian relations.

Creating a New Institution?: The Founding Act on Relations between NATO and Russia of May 1997 can be seen as the creation of a new institution with connections to NATO expansion. This bilateral agreement between NATO and Russia followed intense bilateral and multilateral bargaining. A key question remains as to what the relationship between a newly widened NATO and this new arrangement will be, an issue that we will examine below.

Modifying Existing Institutions: Turning now to modification of existing institutions in the context of changing the institutional setting, a key question concerned the scope of NATO expansion and the nature. With respect to scope, NATO could have chosen to modify membership in a broader fashion and responded to European pressure to include Romania and Slovenia. Although Romanian foreign policy has dramatically changed since 1996, its efforts at rapprochement with Hungary and the treaty with Ukraine in June 1997 were not enough to impress the U.S. to include them in the first round of expansion. Citing a February 1997 Pentagon report, a disappointed Senator Roth, who chairs the North Atlantic Assembly (the alliance’s parliamentary arm), stated that “cost is the biggest factor in Congressman’s minds...three is easier to do than five because smaller is cheaper.”¹⁵ Certainly, estimates of enlargement costs have ranged from the NATO Secretariat’s \$5

¹⁵ Financial Times, May 28, 1997, p. 2.

billion to the Pentagon's \$35 billion in 2009 to the U.S. Congressional Budget Office's \$125 billion. Despite French, Italian and German support, the uncertainty over the costs has not helped win the support of Washington. Especially since both France and Britain are on record as saying that the additional cost of enlargement should be zero, Clinton has made it clear that the new NATO members would have to assume most of the costs themselves.¹⁶

With respect to NATO's nature, little consensus surrounded a new mission for NATO. Indeed, Clinton administration promotion of widening as supporting democracy and peacekeeping was strongly opposed by such senators as Jesse Helms, who viewed this task expansion as likely to undermine NATO traditional central mission to defend the territorial integrity of its members. Thus, while such widening could be sold domestically as a positive development in NATO, particularly to liberals, it simultaneously raised the danger of opposition from conservatives. Moreover, new missions could also entail new costs. In the end, then, with little cognitive consensus or political agreement on new roles for NATO, task expansion was kept off the agenda.

The bargaining route to NATO widening involved both multilateral discussions with allies as well as bilateral bargaining with individual European states and Russia. Although the U.S. could resist excessive expansion of NATO (from its perspective), participation by allies on this issue was obviously essential.

Linkages Among Institutions: The question of institutional linkages is particularly significant. Could institutions such as the EU, WEU, OSCE, UN, and others somehow be arranged in nested fashion? In the end, it was quite clear along the lines of concern about

¹⁶ The New York Times, July 10, 1997, Section A, p. 14.

changing missions for NATO that nesting would not be feasible politically, either domestically or internationally. For example, the Combine Joint Task Forces idea that would entail cooperation between the WEU and NATO raised significant questions about how the U.S. would react to involvement of NATO troops in missions that were not endorsed by NATO itself. And the notion of NATO somehow being incorporated into OSCE activities raised concerns once again of undermining NATO's traditional mission of territorial defense.

With respect to the NATO-Russia agreement, some NATO expansionists fear that this arrangement could give Russia an unprecedented role in diverting internal decision-making processes of the central North Atlantic Council (NAC). If Russia were to skillfully utilize the consultation mechanisms, they could supplant the NAC, giving them a voice within the alliance without meeting the demanding obligations of membership. But it is more likely that such heavy-handed Russian efforts will be met with fierce resistance and Russian attempts to subvert NATO ratification decisions to expand will result in loss of Joint Council political influence. On the other hand, Russia's cooperative presence with the SFOR stabilization force in Bosnia under NATO command has already established the precedent of Russia as a de facto associate with greater formal access to NATO decision-making processes. The outcomes will likely be dependent on how substantive or tactical the particular leaders choose to interpret the link behind the creation of the council.¹⁷ Either way, the council creates a new institutional framework in which decisions will be made.

¹⁷ See Haas (1980) for a discussion of tactical and substantive linkages in this context and Aggarwal (1998).

Furthermore, it is the tactical aspects of the link which are much more explicit. In exchange for Russian recognition of an enlarged Euro-Atlantic alliance and U.S. presence, the U.S. and the West agree that Russia must have some special status and recognition in such regional decision-making in their own backyard. The Act states explicitly that NATO has and will continue to expand its political functions. In the agreed text, there are explicit references to “new members” and the enlargement of Euro-Atlantic security “space.” For Russia, this represents a significant break with the post-1945 policy of eliminating the U.S. presence in Europe. For the West, this represents a significant policy shift from the original NATO purpose of keeping the Russians out, the Americans in and the Germans down.

At the same time, the agreement provides that further NATO expansion will be based on the principle of the inherent right of all states to choose the means to ensure their own security, while recognizing Russia’s past status as a regional power with special interests in central Europe. Finally, diplomats have stressed the fact that this agreement is not a legally binding treaty that requires formal ratification. Thus, although the council expands the cooperative security agenda to increase consultations regarding conflict prevention, military doctrine, arms control, nuclear safety, counter-proliferation and even theater missile defenses, it has no real teeth.

CONCLUSION

This paper has sought to present an institutional bargaining game approach to analyze NATO expansion. I suggested that the decision to expand NATO must be understood in a broader context that includes the issue of task changes for NATO as well as possible rearrangement and restructuring of relationships among institutions. The key analytical

question addressed here is why a movement from the status quo to limited widening proved to be the outcome -- rather than the several other options that could have been pursued.

To analyze the questions of policy change and the particular choice, I drew upon work on institutional bargaining games. I showed how the initial impetus of the end of the Cold War set in motion a search for a new mission for NATO and how concerns about Eastern European stability led to a bargaining game over NATO expansion. In considering the elements that define the basis bargaining game, I focused on the types of goods and externalities involved as a result of this initial impetus, as well as the individual situations of key actors in the game and the institutional context within which the game evolved. The payoffs for the U.S. of the resulting game of widening depended greatly on how Russia would react to this action. As a result, we considered the strategy pursued by the Clinton administration to alter the goods involved, change Russia's individual situation, and modify institutions — all with the objective of increasing its payoffs by decreasing Russian opposition and securing domestic U.S. support. In the end, limited NATO widening, without changes in NATO's basic mission or relationship to other international institutions proved to be the most plausible outcome.

The outcome we have seen of NATO widening, the NATO-Russia Joint Council and the parallel linkages of Russia's inclusion in APEC and other international institutions are better understood together than apart. As the results of the institutional bargaining game analysis indicated, the status quo was better than expansion. Yet given entrenched interests, the availability of parallel institutional linkages, and the efforts to alter the nature of the game with the existence of multiple stable substantive and tactical institutional outcomes, limited expansion should not prove to be a disaster.

While this outcome appears stable in the short run, limited widening is not without its costs. Such an action has simply postponed the broader question of the expanded political role of NATO, the relationship of NATO to other organizations, and other crucial questions in post-war Europe. How NATO will evolve in the future is thus an ongoing question — rather than one that has been settled.

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