

The Eastern Enlargement of the European Union. An Institutional Analysis of Policy Positions, Accession Scenarios and Institutional Reform

by

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Abstract

This study provides an institutionalist view of Eastern enlargement of the European Union by uncovering the enlargement preferences of all member states. Considering two accession scenarios and the Nice institutional reform, we analyze European Union decision-making in order to understand the transformation of the inter-institutional power relationship between the member states, the Commission and the Court of Justice. We find that most member states support a stepwise Eastern enlargement and institutional reform, while others are in favor of an extensive accession. Moreover, our findings suggest that the Commission will be empowered by Eastern enlargement due to the increased danger of a gridlocked Council of Ministers (JEL: C71, D71, H11, N940).

Uncovering Preferences on Eastern Enlargement

Why did the European Union (EU) link the reform of the institutional framework to the accession of Eastern and Southern European countries? Why does a reformed EU exclude some candidate countries, while accession negotiations with others have been speeded up? And how will European integration develop after this reform and the accession of (most) Eastern and Southern European countries? Recent literature on Eastern enlargement has claimed that the expansion of the EU is based on geopolitical considerations (Friis and Murphy [1999, 220], Grabbe and Hughes [1998, 5], Skalnes [2001, 2]) and can be explained as the inclusion of those countries that have come to share its liberal values and norms (Smith and Timmins [2000, 20], Schimelfennig [2001, 48]). The argument is that the sharing of common liberal norms has shamed the brakemen of Eastern enlargement into accepting a faster course. This conclusion, however, has considered neither institutional reform, nor the possible exclusion of some candidate countries. The authors draw this conclusion from their analysis of the relationship between (core) member states and the five “core” candidates, although the EU opened negotiations to all associated countries in 1999. And even though the

Amsterdam treaty of 1999 made enlargement constitutionally dependent on the successful reform of the institutional framework, this literature does not account for the modifications of the EU institutions – the balance of power among the member states in the Council, the Commission and the Court of Justice. Whether the recent reform by the Nice treaty of 2002 is preparing the path for Eastern enlargement, which and when candidate countries will join, and what impact these accessions will have on European integration remain open questions.

To answer these questions we assess the enlargement preferences of all member states, which have also been used to explain previous accession decisions on Northern (1995) and Southern (1986) enlargement (König and Bräuninger [2000a]). We study how EU policies in the field of agriculture and employment politics will change by enlargement and institutional reform. Applying a public choice perspective, we start with deriving member states' enlargement preferences from their expectations on political outcomes. Our subsequent constitutional approach follows the institutionalist view of Garrett and Tsebelis [1996] and Tsebelis and Garrett [2001] in two important aspects: first, we acknowledge that the signatories of the EU base their constitutional choices of either deepening or widening the EU on the legislative framework of the EU. More precisely, we investigate the interplay between actors' policy positions and legislative procedures, and compare their individual preferences on accession scenarios and institutional reform. Second, we use the game-theoretical concept of the core to analyze the power of the legislative, the executive and the judicial branch of the EU. As the core is the set of undominated policies we use its size to determine the level of the Commission's and the Court of Justice's discretionary power (Pollack [1997], Alter [1998]). We also identify proponents and opponents of institutional reform and of particular accession scenarios by the changes of the core location. This enables us to answer whether the Nice reform prepares for Eastern enlargement, and which accession scenario is likely to be pursued.

This article attempts to improve previous research in two ways. From a theoretical point of view, we study the relationship between institutional reform and the accessions by first analyzing decision-making within the framework of the EU. This allows us to specify the proponents and opponents of reform and two accession scenarios, the first being a two-wave enlargement with six countries per wave, and the second of a one-wave enlargement with all twelve candidate countries. Second, we introduce a simple tax payers model to identify the two-dimensional policy positions of all member states and candidate countries. Translating macro-economic indicators into the policy positions of all members states and accession countries helps us to study the interaction between legislative provisions and policy preferences in an enlarged EU. To avoid a sector-specific bias, we apply our approach to agri-

cultural and employment politics and show how decision-making in these policy sectors is changed by institutional reform and enlargement.

The findings reveal that member states have quite different preferences for institutional reform and the two accession scenarios. Most of the current member states prefer the Nice reform, while all candidates would be in favor of the pre-Nice conditions. In the supranational domain of agricultural politics, enlargement without reform would shift outcomes considerably. The Nice reform can slightly re-balance the center of the core for agricultural outcomes in the event of the first, small accession scenario. The same holds true for the intergovernmental domain of employment politics, where institutional reform can only absorb the accession effects induced by the first scenario. Another result of our analysis is that the discretionary power of the Commission and/or the Court of Justice will increase due to the expansion of the core in the enlarged Council. If this expansion means legislative gridlock, we expect that the Court of Justice will become the upcoming promoter of European integration – a situation that is similar to the period after the famous Luxembourg compromise in 1966. If not, there may be a new epoch of European integration because the Commission will gain substantive discretionary power – a fact that may help understand the Commission's visible promotion of Eastern enlargement.

Institutional Reform and Accession Scenarios

At the Helsinki summit in 1999, the fifteen EU member states decided to open negotiations on accession with ten post-communist states that have emerged from the break-up of the Soviet bloc. Two small Southern European countries, Cyprus and Malta, complete the accession group. The remarkable decision to almost double the number of member states was linked early to the reform of the EU institutional framework. Originally designed by six founding members in the late 1950s, this framework was periodically changed in the course of accessions, particularly with the extension of qualified majority voting in the Council of Ministers after the Southern enlargement in the mid-1980s (Garrett [1992], Bednar et al. [1996]). Regarding the accession of Eastern and Central European countries, the fifteen member states agreed to reform the voting scheme of the Council of Ministers early on, but they were unable to find a solution at the Amsterdam intergovernmental conference in 1996. A French proposal intended to re-weight the votes in favor of the large countries, while the unified Germans proposed to introduce an additional population quota. The background is that the twelve accession candidates are relatively poor countries with small populations.

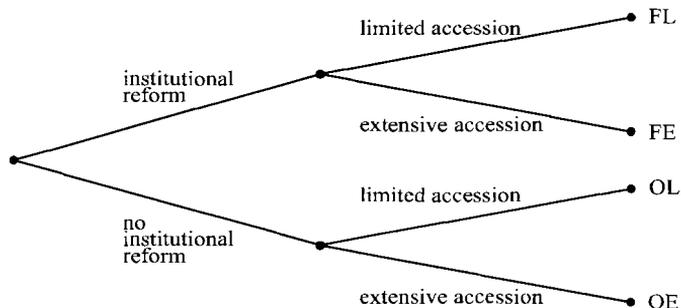
This situation has stimulated skepticism on the member states' willingness to proceed with Eastern enlargement. It remains unclear why the member

states made enlargement constitutionally dependent on the successful reform of the institutional framework, which they were unable to reform at the Amsterdam intergovernmental conference in 1996. To uncover the impact of institutional reform on enlargement, we consider member states' expectations concerning the legislative outcomes of the EU – either reformed or not. The analysis allows us to specify their preferences on enlargement and institutional reform, and to speculate on the discretionary power of the Commission and of the Court of Justice (Pollack [1997], Alter [1998], Meunier [2000]). The public choice view considers that if the set of undominated policies is small or nonexistent, the Court of Justice and the Commission cannot make decisions and interpretations, with which the member states – and to some extent the European Parliament – disagree. By contrast, supranational bureaucrats and judges have more discretionary power when new legislation is difficult to pass in the Council of Ministers because they can move policy outcomes closer to their supranational interests. The power of supranational actors is therefore a function of the number and location of member states as veto players, or, in terms of the outcomes, of the size of the core in the Council of Ministers.

The Eastern enlargement is likely to affect this function for two reasons: first, the accession of twelve rather poor and small states will increase the heterogeneity among member states, and thus the size of the core in the Council of Ministers. Second, the institutional reform by the Nice treaty will change the voting scheme of the Council of Ministers and the institutional balance between the decision-making bodies. Our analysis will therefore take into account the interaction between both components, institutional reform and the accession of Eastern European countries. More precisely, we will examine the voting scheme reform for the Council of Ministers in the two accession scenarios that were likely at the beginning of the process of enlargement. This allows us to distinguish between four principal outcomes. Figure 1 illustrates our concept, which we will apply to the empirical comparison of two policy domains.

Combining the reform option with two scenarios, we expect to identify which countries are favoring (F) or opposing (O) institutional reform, and which countries prefer an extensive (E) to a limited (L) enlargement. This classification is similar to that of Schimmelfennig [2001, 50] who classified by member states using arguments on EU budgetary politics and according to their trade relationships with accession countries. He finds that Austria, Finland and Germany are the drivers of a limited enlargement and Belgium, Luxembourg and the Netherlands are the brakemen, while the United Kingdom and Denmark favor an inclusive enlargement and the remaining six member states are opposed to it. Disregarding the interplay between the actors' policy positions and the institutional provisions of the EU, Schimmelfennig's analysis leads to striking and perhaps misleading assumptions, such as that current trade profiteers are assumed to support accession, even

Figure 1 Alternatives of accession scenarios and institutional reform



though they may expect a worsening of their trade relations with enlargement. Similarly, it is questionable whether we can assume that current net receivers necessarily oppose accessions.¹ It therefore remains debated how the accession of Eastern candidates will change the EU and whether the Nice institutional reform has an impact on this process.

Institutional Reform – A Necessary Condition for Enlargement

In October 2002, a second, successful Irish referendum paved the way for the entering into force of the Nice Treaty, the reform proposal adopted by the intergovernmental conference in December 2000. Apart from the recruitment procedure of Commissioners and the composition of the Court of Justice, the fifteen member states agreed to modify the voting scheme of the Council of Ministers in case of qualified majority voting (Wessels [2001]). The result is a complex procedure, which also reflects the French and German proposals from Amsterdam. In addition to the new distribution of the voting weights for current and future member states, the head of governments inserted a population quota for adopting European legislation.² As a concession to smaller member states, they also established a minimum number of member states that have to be included in legislative decisions. Article 3, 1a(i)–(ii) of

¹ We do not dispute Schimmelpfenning's argument on the decision of member states to negotiate with Eastern and Southern candidates, but his approach suffers from only considering the external relationship between accession countries and member states.

² The weights are: Germany (29), United Kingdom (29), France (29), Italy (29), Spain (27), Netherlands (13), Greece (12), Belgium (12), Portugal (12), Sweden (10), Austria (10), Denmark (7), Finland (7), Ireland (7), Luxembourg (4); cp. Felsenthal and Machover [2001].

the Nice treaty's protocol on the *Enlargement of the European Union* (EU 2001) states that from the 1 January 2005:

“Acts of the Council shall require for their adoption at least 169 votes in favour cast by a majority of the members where this Treaty requires them to be adopted on a proposal from the Commission. In other cases, for their adoption acts of the Council shall require at least 169 votes in favour, cast by at least two-thirds of the members ... When a decision is to be adopted by the Council by a qualified majority, a member of the Council may request verification that the Member States constituting the qualified majority represent at least 62% of the total population of the Union. If that condition is shown not to have been met, the decision in question shall not be adopted.”

The *Declaration on the Enlargement of the European Union* provides voting weights for the enlarged EU of 27.³ Concerning the voting quota it states:

“Acts of the Council shall require for their adoption at least 258 votes in favour, cast by a majority of members, where this Treaty requires them to be adopted on a proposal from the Commission. In other cases, for their adoption acts of the Council shall require at least 258 votes in favour cast by at least two-thirds of the members. When a decision is to be adopted by the Council by a qualified majority, a member of the Council may request verification that the Member States constituting the qualified majority represent at least 62% of the total population of the Union. If that condition is shown not to have been met, the decision in question shall not be adopted.”

These provisions are not unambiguous. The *Declaration on the qualified majority threshold and the number of votes for a blocking minority in an enlarged Union* continues that:

“Insofar as all the candidate countries listed in the Declaration on the enlargement of the European Union have not yet acceded to the Union when the new vote weightings take effect (1 January 2005), the threshold for a qualified majority will move, according to the pace of accessions, from a percentage below the current one to a maximum of 73.4%. When all the candidate countries mentioned above have acceded, the blocking minority, in a Union of 27, will be raised to 91 votes, and the qualified majority threshold resulting from the table given in the Declaration on enlargement of the European Union will be automatically adjusted accordingly.”

³ The weights for accession countries are: Poland (27), Romania (14), Czech Republic (12), Hungary (12), Bulgaria (10), Slovakia (7), Lithuania (7), Latvia (4), Slovenia (4), Estonia (4), Cyprus (4), Malta (3).

This contradicts the *Declaration on the Enlargement*, which establishes a quota of 74.78 per cent of all votes meaning a blocking minority of 88 votes. The formula of 91 votes decreases the voting quota to 73.91 per cent of all votes, but the new scheme will increase the current voting quota of 71.2 per cent. The new scheme is therefore unlikely to decrease policy stability – another objective of institutional reform (Wessels [2001, 201]). But current member states succeeded in adopting the reform before the entrance of up to twelve candidate countries. The adoption of the reform proposal stimulated further negotiations between the EU and candidate countries, but which countries would join the EU remained undecided at that stage.

The Accession Process – Two Convoy-Scenarios

The EU originally started negotiations with a smaller number of countries, but these negotiations were expanded to all twelve candidates in 1999. Unlike the previous enlargement by Austria, Finland and Sweden in 1995, the candidates are countries that are still transforming into market economies (König and Bräuningner [2000b]). For their accession, the Copenhagen European Council concluded in 1993 that candidates have to fulfill the functioning of a market economy with capacity to cope with competitive pressure, the stability of institutions guaranteeing democracy, the rule of law and human rights, and the adoption of the *acquis communautaire* – the complete existing legislative framework of the EU (Sedelmaier and Wallace [2000, 441]). In a series of following summits, the European Council determined the preparation strategies for the candidates (Essen 1994), reported on the impact of enlargement (Madrid 1995), and fixed a timetable for the negotiations (Florence 1996). In July 1997, the Agenda 2000 published three accession criteria: a political criterion, which concerns the respect for democracy and human rights; an economic criterion, which refers to functioning markets; and the *acquis communautaire* criterion, which provides a road map tracing the progress in adopting the legal framework of the EU.

In spite of the highly formalized negotiation process, it remained unclear how the EU would interpret such criteria. Member states must finally decide which countries will join and when this accession will occur. For the sake of simplicity, we distinguish between three realistic accession scenarios. The first, *regatta*, applies the rule of picking-and-choosing. This scenario offers each candidate membership into the EU once it has fulfilled the criteria for accession. This scenario corresponds to the negotiation style between the EU and the twelve candidates. It increases an *ex ante* competition among candidate countries and allows for early accessions. However, picking-and-choosing will cause considerable friction among the delayed candidates and break with the EU's accession tradition. Thus, it seems more realistic to focus on two so-

called convoy-scenarios. In contrast to regatta, the big convoy-scenario includes all twelve candidate countries. The EU has applied this scenario for previous enlargements, but, this time, the commitment to include all countries at the same time risks postponing an early enlargement. It is also feared that such a delay will reduce the efforts of the faster advancing candidates. The small convoy-scenario, by contrast, permits particular groups to join the EU when there is a sufficient number of countries who fulfill the accession criteria. This scenario raises the question which countries belong to the first and which to the second wave of accession.

To identify likely candidates for the first and second wave in the small convoy scenario, we refer to the beginning of the enlargement process. At the Luxembourg summit in 1997, the European Council decided that negotiations should commence with the five Central and Eastern countries Czech Republic, Estonia, Hungary, Poland and Slovenia plus Cyprus, and with the other countries once they had made the necessary progress. The consequence of this decision finds evidence in the status of the accession negotiations on 31 December 2000, published by the Commission. The report shows that two groups can be identified: a first group of six countries started negotiations on the 29 packets of the *acquis communautaire* and finalized half of them, while a second group began negotiations on only about half of the packet set, and few of them have been settled. We therefore put the members of the Luxembourg summit in the first group. Bulgaria, Romania, Malta, Latvia, Lithuania and Slovakia make up the second group of the small convoy-scenario.

Translating Indicators into Policy Positions

A major problem in public choice analysis concerns the identification of the policy positions of legislative actors. Many previous studies on the decision-making framework of the EU have used strong assumptions on the distribution of the countries' policy positions. Power analyses widely assume that actors' policy positions are uniformly distributed (Lane and Berg [1999], Holler and Widgrén [1999], Steunenberg et al. [1999]) – an assumption that corresponds to Rawl's notion of the veil of ignorance in constitutional analysis (Felsenthal and Machover [2001]). Others suppose that member states are divided into larger groups, such as Northern and Southern member states (Hosli [1996]) or large and small countries (Schmitter [2000], Tsebelis and Yatahanas [2001]). However, except for the United Kingdom, all previous accession candidates were relatively small and/or regionally biased, but member states never made enlargement contingent on institutional reform (König and Bräuninger [2000b]). The link between Eastern enlargement and institutional reform rather indicates that this accession raises particular fears on the dissimilarity between current and future EU members. This dissim-

ilarity is expressed by the fact that from today's perspective, the accession of all applicants would increase the EU's population by around 30 per cent, but its GDP by only 4 per cent (Baldwin [1997], Kandogan [2000]).

Macroeconomic indicators can illustrate the variation among countries, but public choice analyses have still to translate them into countries' policy positions, which define the policy space in the decision-making framework of the EU. For this purpose, we start with the common public choice assumption that countries integrate in order to reduce the costs of policy externalities. This generates questions as to which policy sector is integrated, and whether the countries have different preference profiles across these sectors. According to Moravcsik [1997, 28], endogenous policy theory explains why policy positions vary across both country and sector. In trade and agriculture politics, these policy positions vary due to different producer and consumer concerns. In employment politics, unions and employers are the key actors considered by the countries' governments. But to apply this theory empirically, we must still identify the policy positions of current and future member states in the framework of the EU.

The Input- and Output Side of European Politics

For any policy sector, we consider a two-dimensional policy space referring to the input- and output side of EU politics because (most) policies have a budgetary implication. The budgetary effect is particularly revealed in the case of Eastern enlargement because of the large number of accession countries being relatively poor. Current member states may try to fix the budgetary implications before enlargement, but the rules of budgetary politics have always been changed after accessions (Kandogan [2000, 689]). According to Laffan and Shackleton [2000, 218], the United Kingdom was put in a structurally disadvantageous position by the budgetary decisions in 1970. After accession in 1973, the United Kingdom was able to alter these rules within two years. Other examples include Greece that was able to renegotiate refunding against its VAT contributions, Portugal and Spain which received more structural funding than provisioned by the Delors I-package, and even Sweden and Finland introduced Objection 6, which supports the preservation of arctic regions with additional funding. These examples provide evidence as to why it is necessary to first analyze policy outcomes in the (reformed) institutional framework of the EU. Moreover, we use separate policy spaces for agricultural and employment politics because policy sectors are highly disconnected in the EU. The Council of Ministers consists of a set of sector ministers with responsibility for decision-making in their policy sector. We thus abstain from a combined, three-dimensional representation of two sectors.

Identifying policy positions, we distinguish between the countries' input- and output-side. The input-side refers to the question of how much a country must pay for the provision of collective goods in the EU, while the output-side considers the distributive effects of these policies in each policy sector. We use a simple tax payer-model that specifies the basic characteristics of these two-dimensional policy positions (Romer and Rosenthal [1978]). This model suggests a two-dimensional representation of single-peaked policy positions with high preference for decreasing budgets by wealthy member states (see proposition 1 and 2, appendix). Since wealthy countries pay more than they profit from the collective goods of the EU, they generally prefer domestic politics. Moreover, the less a country gains from a policy sector, the smaller is its most preferred spending level for it (see proposition 3, appendix). The derived two-dimensional policy positions have the necessary characteristics of spatial analysis: an ideal point of each country, and a spatial utility function which means that countries prefer policies that are closer to their ideal points. Combining policy positions with EU decision-making rules we are able to begin with our comparative analysis of accession and reform effects on decision-making outcomes. But we still have to select representative or relevant policy sectors for our empirical analysis.

Comparing Agricultural and Employment Politics

Most empirical analyses of Eastern enlargement focus on a single policy sector. However, such a focus may bias the findings because the preference profiles of member states and accession countries may vary across policy sectors and thus offer logrolling opportunities. In the literature on European decision making, two types of policy sectors are often distinguished, the supranational and the intergovernmental sector (Moravesik [1998], Tsebelis and Garrett [2001]). Two characteristics are important for an intergovernmental sector: In the intergovernmental sector of employment politics member-state control remains significant; accounts of European employment policy present a minimalist interpretation of the EU involvement (Pierson [1996, 123]). However, employment politics is becoming a more prominent policy sector in the EU because member states cannot solve unemployment at the domestic level (Adnett [2001]). By contrast, agricultural politics is considered to be the most supranational sector, which is almost completely controlled at the EU level and decisive for Eastern enlargement (Baldwin [1995], Baldwin et al. [1997], Hagen [1997]). Our comparison of two sectors may also reveal logrolling opportunities, which means that member states may derive their enlargement preferences with regard to different sector outcomes.

Since the founding of the European Communities in 1958, the Common Agricultural Policy (CAP) has become the most important and integrated

policy area, which is almost exclusively regulated at the level of the EU (Brenton and Gros [1993], Anderson and Tyers [1995], Jackson and Swinnen [1994], Streit and Voigt [1997]). Eastern enlargement will increase the importance of the agricultural dimension of the EU because the market will grow by more than 100 million consumers. The agricultural sector and its poorer regions currently receive about 80 per cent of all spending of the EU and, since the Eastern applicants are populous, poor and agricultural, an unchanged CAP will increase the total budget – even if controlling for the cohesion of accession countries (Baldwin et al. [1997]). In spite of this effect, all studies assume that the input and output rules of governing the CAP will not change significantly (Kandogan [2000, 698]).

To identify actors' policy positions in the area of CAP, we consider two indicators: first, the importance of the agricultural sector for the national economies and second, their wealth. The former reflects the output-side regarding the CAP, the latter considers to the input-side of member states in the EU budget. With regard to the funding of the budget, the member states' contributions based on GDP are the most important of the four types of budgetary sources of the EU. Currently, they constitute about half of the total budgetary revenue. As the exact GDP rate is determined under the budgetary procedure this type of resource is considered to be an instrument used to bring budgetary revenue into balance with expenditure (Nugent [1994, 343]). We therefore assume that the national GDPs per capita indicate the conflict between member states on the size of the budget with wealthier countries preferring a lower total budget.

Regarding the output-side, the importance of the agricultural sector should give a reasonable account of the policy space of spending in CAP. Over time agriculture has a decreasing importance for the national economies in both accession and member countries. However, the size of the agricultural sector differs between Eastern European and most member states with the economies of the former being much more dependent on the agricultural sector. In this respect Greece is a notable outsider within the group of current member states; Germany, the United Kingdom and Luxembourg, in contrast, have the lowest primary sector share. Accordingly, we suppose that the higher a member state's dependency on the agricultural sector (as a share of gross domestic product), the more it favors EU budget contributions to CAP.

Another policy domain concerns employment politics, which has become more important with the Amsterdam treaty's impetus on social policies, but also under the shadow of the Monetary Union making it even more important to co-ordinate member states' policies. With the Amsterdam treaty's entry into force the EU is given a new task in a new Title VIII on employment. Reaching a high level of employment is a "matter of common concern" (Art. 2 EC Treaty) that is to be taken into consideration when formulating policies in other sectors. Although the employment chapter is considered to be of a

limited nature, strengthening the social policy domain is one step in the attempt to complement the Economic by a Social Community and involve it in protecting the concerns of individual citizens (Langrish [1998, 18]). At the Luxembourg summit in 1997, a common employment strategy with specific targets was agreed upon (Adnett [2001, 354]). Member states must transform guidelines for employment policies annually into medium-term National Action Plans. At the EU level, the Commission produces annual reports with benchmarks against the best world practice. We will use figures on the rate of unemployment to analyze the conflict in a second policy domain that will probably make up a new objective. In sum, the following indicators are used to estimate empirically the policy positions of member states and accession countries:

- For the input-side, we use the gross domestic product (GDP) per capita to indicate their positions on the EU budget level because the contributions are basically related to the economic wealth of the member states. According to Proposition 2, the higher GDP per capita, the lower is a country's most preferred EU budget level.
- For the output-side, we distinguish between the domestic importance of the agricultural sector (by agriculture as a share of total gross value added) and the importance of structural policies (by unemployment rate). According to Proposition 3, the higher a country's dependency on the agricultural sector (the higher the unemployment rate), the higher are a country's most preferred EU budget contributions to CAP (to structural fund policies).

According to our tax payer model, the policy spaces in both policy sectors are two-dimensional, and, combined with the different accession scenarios and reform options, they are the starting point for our empirical analysis of enlargement preferences.

Comparing the Location and the Size of the Core

Spatial models of legislative choice have often been applied to the analysis of the interplay between actors' policy positions and the institutional framework of the EU (Tsebelis [1994], Meunier [2000], König and Pöter [2001]). These models make a number of simplifications when analyzing the complex interactions between the set of EU actors, their policy positions, and voting rules. Given that actors' policy positions are identifiable, outcomes depend on the voting scheme and the location of the status quo. In this world, actors reach decisions instantaneously – depending on the configuration of actors' policy positions and the status quo, policy is either changed or not. In spatial modeling, the unanimity core covers the set of outcomes that cannot be

defeated under unanimous voting. Mitigating extreme locations of policy positions, the qualified majority core (QMV-core) usually shrinks the set of undominated outcomes. Applied to the current procedures of the EU, the QMV-core covers the set of status quo policies that cannot be defeated by a majority of more than 61 of the 87 votes. After Nice, QMV – the dominant decision-making rule in the Council of Ministers – additionally considers the minimum of 60 per cent of the total population and a simple majority of member states. We derive the QMV-core for the current fifteen member states and compare its size and location with the QMV-cores for both accession scenarios, with and without institutional reform. This indicates how outcomes are likely to shift and allows us to identify the supporters and opponents of accessions and institutional reform because the countries will prefer the most favorable outcomes.

Moreover, the comparative analysis of a shifting of the core center offers not only to draw conclusions on member states preferences, but changes in the size of the core also allow us to speculate on changes in the power of the supranational actors, the Commission, and the Court of Justice. Supranational powers of the judiciary and of the bureaucracies are shaped by the size of the core because their decisions can be overruled easier by a legislative body with a large potential for policy change. In this case, the Court of Justice and the Commission are likely to avoid decisions and interpretations, with which the Council of Minister – and to some extent the European Parliament – disagrees (Burley and Mattli [1993], Pollack [1997]). However, as the core of legislative decision making expands, the supranational actors can make the first move in terms of interpreting the existing laws, which can hardly be overruled by the legislature (Tsebelis and Yatangas [2001]). Regarding our conclusions on the enlargement preferences of member states, we use the standard assumption that member states consider their distance between their policy positions and the core outcomes in terms of utility losses. In general, any member state has high interest in being in, or, as close as possible to the core. If a member state is located within the core, it knows that any policy change will lead to outcomes that are close to its ideal point. We further assume that enlargement preferences result from comparing the distances to core outcomes that can be changed by accessions and/or reform. However, since the core may cover a set of outcomes, we simplify our analysis by using the center of the core as the reference point for comparison.⁴ Connecting the center of the current core with those of the four options – two accession scenarios with and without

⁴ Without further knowledge on the location of the status quo, the center of the core is the expected outcome, given an uniform distribution of all outcomes in the core. Other assumptions on the distribution of core outcomes correspond to extreme views of enlargement and institutional reform: a pessimistic view would be represented by the largest distance between a country and the core border, an optimistic view by the smallest distance.

institutional reform – reveals how outcomes will shift.⁵ Figure 2a shows our findings for CAP in the case of the small convoy-scenario with and without institutional reform.

Figure 2a illustrates the configuration of member states' and accession countries' policy positions on CAP. Luxembourg and Greece are the outliers of current member states: Luxembourg prefers a lowering of the European budget and of spending for CAP, while Greece favors the opposite – an increase in both. Other member states are relatively close together, even though a so-called spending group of Portugal, Spain, Ireland and Finland also prefer an increase in both, while a so-called conserving group of Austria, Belgium and Germany favors a lowering of the budget and of agricultural spending. A mixed group consists of Denmark, the Netherlands and, partly, Italy and France. This agricultural pressure group favors agricultural spending, but a lowering of the total budget of the EU. In contrast to this group, Sweden and the United Kingdom support an increase of the total budget, but a decrease in agricultural expenditures.

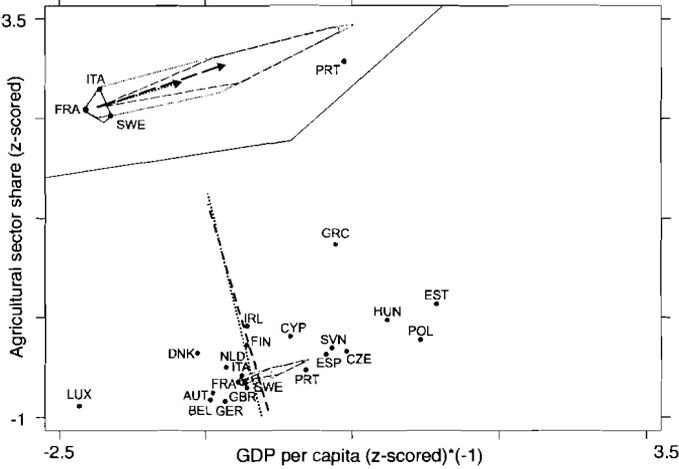
How the QMV-cores will change is shown in the zoom of Figure 2a. The shaded QMV-core of the current fifteen member states encompasses Italy, France and Sweden. This means that these countries currently have a veto player position in CAP, while other member state policy positions can be outvoted under QMV. The current situation will not change with the reform of Nice. In spite of the additional voting requirements, such as the population threshold and the minimum support of a majority of member states, the QMV-core covers the same shaded area in CAP. This, however, would be changed by the accession of the first group consisting of Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia that slightly increases the voting quota. All of these countries favor an increase of the total budget and agricultural spending. Without reform, the center of the QMV-core would move towards the spending group. Moreover, the size of the QMV-core would expand significantly and therefore strengthen the discretionary power of the supranational actors. This development is in part absorbed by the Nice reform. On the one side, the center of the QMV-core will re-shift towards most current member states – except for Spain, Portugal and Greece. However, this spending group will profit from enlargement, with and without reform, but the reform improves the situation for other current member states. This is indicated by the dotted line in Figure 2a, which is closer to most current member states than the broken line. On the other side, the Nice reform will further expand the QMV-core and thus increase the powers of the

⁵ The middle perpendicular of the connecting line distinguishes two half spaces, the lower including all supporters of the current, the upper all supporters of the new situation.

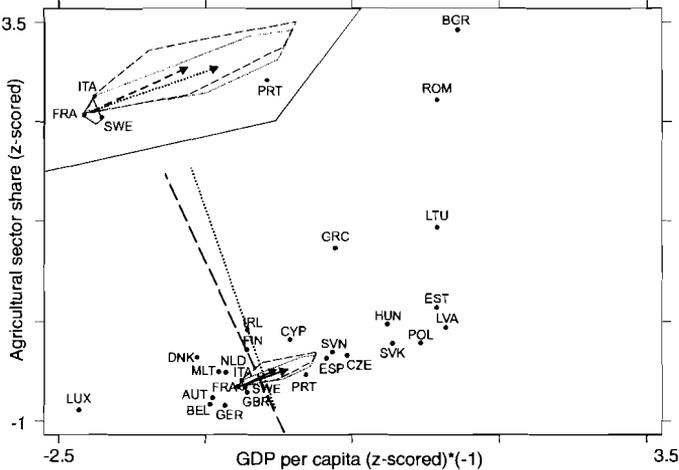
Figure 2 Location and size of the core in agricultural politics with and without reform

-core of EU15 with and without reform,
 -core of EU21/EU27 without reform,
 -core of EU21/EU27 with reform,
 AUS-Austria, BEL-Belgium, BUL-Bulgaria, CYP-Cyprus, CZE-Czech Republic, DEN-Denmark, ESP-Spain, EST-Estonia, FIN-Finland, FRA-France, GBR-United Kingdom, GER-Germany, GRC-Greece, HUN-Hungary, IRE-Ireland, ITA-Italy, LTU-Lithuania, LUX-Luxembourg, LVA-Latvia, MLT-Malta, NLD-Netherlands, POL-Poland, POR-Portugal, ROM-Romania, SVK-Slovakia, SVN-Slovenia, SWE-Sweden.

a) Small convoy scenario



b) Large convoy scenario



supranational actors. Figure 2b shows our findings for CAP in the case of the large convoy-scenario with and without reform.

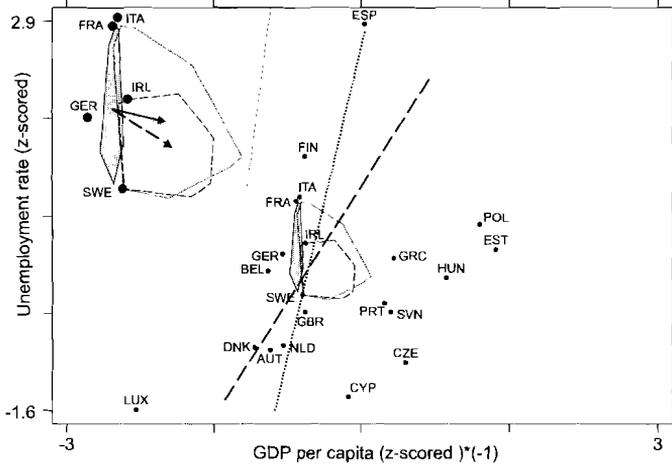
The large convoy adds the policy positions of Bulgaria, Latvia, Malta, Romania and Slovakia. Compared to the small convoy-scenario, the QMV-core again expands and moves towards the spending group. Except for Malta, these countries commonly prefer to raise the budget of the EU and spending for CAP. Although Bulgaria, Romania and Lithuania would join in this scenario, QMV allows for excluding their extreme policy positions. Compared to the small convoy-scenario, the QMV-core will expand and double its size. This effect is even more pronounced under the current procedural provisions meaning that we find a somewhat mixed picture: both accession scenarios will increase the size and change the location of the QMV-core. The large convoy-scenario would bring about an expansion of the core, and institutional reform can partly reduce this effect. However, the location of the core center will further move towards the spending group. In Figure 2b the dotted line of institutional reform is closer to the spending group than the broken line. For this reason, we conclude that whilst most current member states prefer the small convoy scenario with institutional reform, Denmark, Finland and Ireland favor large enlargement without institutional reform. Spain is in favor of the current procedural settings and of the small convoy-scenario, while Greece and Portugal prefer the large convoy without institutional reform. But these countries profit from enlargement, with and without reform. Except for Poland, this solution is also preferred by all candidate countries. Looking at CAP, our analysis predicts institutional reform and small convoy-enlargement. Whether this prediction holds true for employment politics is illustrated by Figures 3.

Figure 3a shows the situation for the small convoy-scenario. Spain and Luxembourg are the outliers among the current member states and the composition of the groups is different from the area of CAP: Denmark, the Netherlands, Greece and Portugal support a decrease in employment spending, while France prefers an increase in employment spending. Except for Poland, all candidate countries also prefer lower spending in the employment politics of the EU. The QMV-core will expand significantly, particularly in the event of institutional reform. However, institutional reform will re-shift the center of the core towards its current location. This means that most current member states profit from institutional reform, but Denmark and Luxembourg prefer the current provisions. Figure 3b shows the picture of the large convoy-scenario.

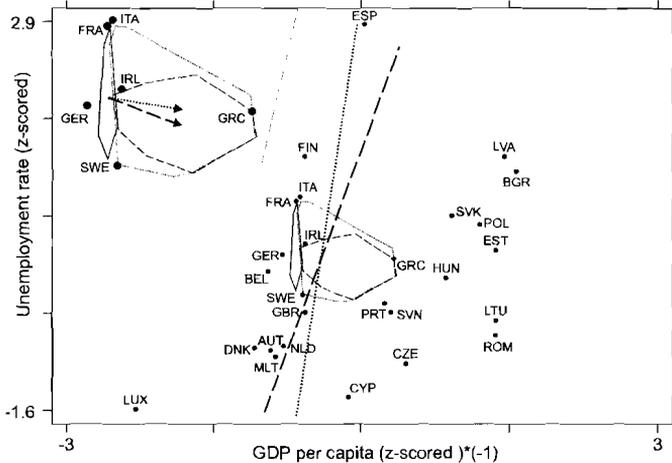
The second group of accession countries partly supports the view of Poland: Bulgaria, Latvia and Slovakia favor an increase in the total budget and in employment spending. Lithuania and Romania would also like to increase the total budget, but prefer to decrease employment spending. Malta, by contrast, supports the conserving group which intends to cut the total budget and

Figure 3 Location and size of the core in employment politics with and without reform

a) Small convoy scenario



b) Large convoy scenario



employment spending. Compared to the small convoy-scenario, the QMV-core will again expand, and institutional reform will reinforce this expansion. However, the center of the core will be slightly re-shifted by institutional reform. Again, the effects of institutional reform are mixed for current member states.

Summing up the results of both policy areas we find that Belgium, Finland, France, Germany, Ireland and Italy prefer a small convoy with institutional reform, while Austria, Denmark, Luxembourg, the Netherlands, Sweden and the United Kingdom favor small convoy accession without reform. Portugal prefers large convoy with, and Greece and Spain without reform. This means that an overall majority of current member states prefers the small convoy – either with or without reform. Spain is against institutional reform, but favoring the small convoy in CAP and the large convoy in employment politics. Portugal supports the large convoy, without reform in CAP and with reform in employment politics. A critical actor could be Greece that prefers large convoy without reform in both policy areas. However, Spain, Portugal and Greece will not oppose to this process because they generally profit from enlargement. In both policy areas, the small convoy with institutional reform is closest to the coordinates of the current situation. If member states are interested in providing similar outcomes to the current situation, they will support the small convoy-scenario with institutional reform.

First Convoy and the Empowering of the Commission

The aim of this study was to provide a different and in some way more accurate view of Eastern enlargement by taking accession scenarios and institutional reform into account. To this end, we uncovered the fifteen current member states' enlargement preferences on accession scenarios and institutional reform by comparing their expectations on EU decision-making outcomes. In this respect our approach followed and extended the institutionalist view of Tsebelis and Garrett [2001] by first analyzing decision making within the framework of the EU, and then drawing conclusions on the signatories' choice on European integration.

Compared to previous analyses, we derived member states' expectations on decision-making outcomes by combining the two-dimensional policy spaces with the procedural provisions of the EU, with and without institutional reform. We focused on qualified majority voting as the most appropriate voting rule in the framework of the EU but our approach could easily be applied to unanimous voting or other reference points in the QMV-core. Our comparative analyses of the size and location of the QMV-core revealed that member states have different enlargement preferences, which are summarized in Table 1.

Table 1 *Enlargement preferences of member and accession countries*

Agriculture	EU21	EU27
pre-Nice	ESP, POL	DNK, FIN, IRL
post-Nice	AUS, BEL, FRA, GBR, GER, ITA, LUX, NLD, SWE	GRE, POR, CZE, CYP, EST, HUN, SVN, BGR, LTU, LVA, MLT, ROM, SVK
Employment	EU21	EU27
pre-Nice	AUS, DNK, GBR, LUX, NDL, SWE, CZE	POR, HUN, SVN, LTU, LVA, MLT, ROM
post-Nice	BEL, FRA, FIN, GER, IRL, ITA	ESP, GRE, EST, POL, BUL, SVK

In CAP, most current member states favor the small convoy scenario and institutional reform. This would mean that a small group with similar policy positions will join the EU under the Treaty of Nice.⁶ Spain also favors the small convoy but prefers the current procedural provisions. Denmark, Finland and Ireland support reform and the large convoy, whereas Greece and Portugal share the views of almost all accession countries – large convoy without reform. This picture changes for the intergovernmental sector of employment politics. Most of current member states again prefer the small convoy, but Austria, Denmark, Luxembourg, the Netherlands, Sweden and the United Kingdom without reform. Given that Greece is benefiting from both scenarios, we expect its support for enlargement. Since Spain completely differs in its sectoral views, and Portugal would prefer the current procedural settings, we observe logrolling opportunities that allow for small convoy with institutional reform.

Besides uncovering enlargement preferences, our analysis also reveals the dilemma of institutional reform and enlargement. The member states of the EU were primarily interested in their relative gains and thus changed the voting weights, but they were less concerned with supranational influences. While most member states succeeded in improving their individual benefits, our analysis also indicates that the reform of the institutional framework will increase the powers of the supranational actors. The judiciary and the bureaucracy will profit from the increased size of the core because it is more difficult to overrule their interpretations. Our findings show that the QMV-core will expand, particularly in the event of the large convoy scenario. Compared to the period of the Luxembourg compromise, in which the Court

⁶ In our application, this group consists of Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. However, even the increasing of this group would not basically change our findings as long as additional members have similar policy positions.

of Justice played a major role in European integration, one might expect an empowered Commission in the future. The ongoing legislative activities of the EU will enable the bureaucracy to interpret the law according to their point of view.

Appendix

Each country i is assumed to optimize its consumption of a bundle of private goods (C_i) and of collective goods of the EU (G_i). Private goods are produced at the domestic level, they can and do benefit only a single country, while EU goods are collectively financed and politically allocated. They may be pure public or private goods or some intermediate case (Kraan [1996, 35]). In general, EU collective goods result from a number of policies that are financed by EU budget expenditures, where the total budget is the sum of all policy expenditures ($E = E_1 + \dots + E_m$). Countries try to maximize their (strictly quasi-concave) utility function $U_i(C_i, G_i)$.

Policies often have distributive effects, and some countries may gain more than others. The gain of each country thus depends on a function f_i , with $G_i = f_i(E)$. If f_i is increasing and weakly concave, then $u_i(C_i, E) := U_i(C_i, f_i(E))$ is also strictly quasi-concave and non-decreasing in (C_i, E) . In addition to these distributive effects, the countries may contribute differently to the budget of the EU. Let $T = (T_1, \dots, T_n)$ be the tax system of the EU, where $T_i(E)$ is the contribution that a country i has to spend for the budget level E . The maximization problem of member states can then be described by:

$$\begin{aligned} & \max u_i(C_i, E) \\ & \text{s. t. } C_i + T_i(E) \leq B_i \end{aligned}$$

where B_i is their domestic budget.

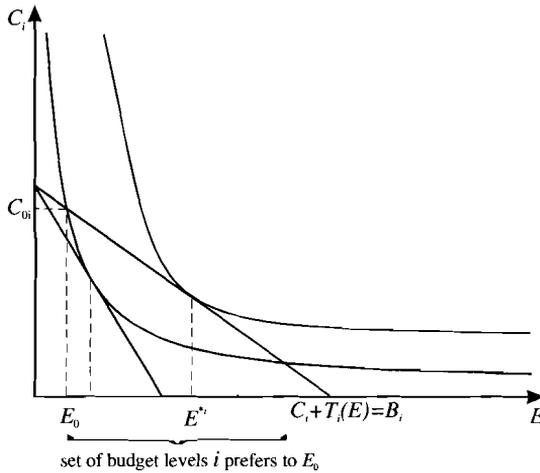
Figure 4 shows the indifference curves of a country i regarding the size of the EU budget (E) and its private consumption (C_i). The size of the domestic budget is related to the altitude of the budget line, the individual tax structure and its slope. At the EU budget E_0 the country is in a suboptimal position as the indifference intersects its domestic budget constraint at that point. Its optimal output is at the European budget level where a (higher) indifference curve touches its domestic budget constraint.

This results in a constrained utility function having two characteristics:

Proposition 1: For any country there is a most preferred collective spending level E^* , which is the ideal point of a single-peaked preference in the policy space of EU budget revenues.

Proof: Romer and Rosenthal [1978, 30].

Figure 4 Optimal choices for individual states



Proposition 2: The larger a country’s individual contribution to the EU budget, the smaller is its most preferred total budget.

Proof: As the budget line will be steeper whenever T_i is increasing, the point representing the ideal budget level moves to the left, i.e. $\partial E^*/\partial T_i < 0$.

Since wealthy countries pay more than they profit from collective goods by the EU, they should generally prefer domestic politics. However, the EU produces collective goods in different policy areas. The total number of policies is only constrained by the total budget of the EU, but policies can be distributed separately. In this case, the support of wealthy countries on the provision of collective goods by the EU depends on their saliency across these policy areas. This generates the question whether the optimal spending level of a country on a policy is decreasing when either it is less interested in the policy or it is expecting lower gains. For the sake of simplicity, we consider a Cobb-Douglas utility function to describe the countries’ unconstrained preferences on a single collective good (E_j) and a composite good (D_{-j}) as being the consumption alternative:

$$w_i(E_j, D_{-j}) := E_j^{\alpha_i} D_{-j}^{1-\alpha_i} \quad \alpha_i \in (0, 1)$$

The Cobb-Douglas functional form includes convex preferences, where α_i is a parameter of the gains which the country receives from a policy as compared to anything else; α_i can thus be interpreted as the country’s saliency on the policy. In general α_i will depend on both individual (economic or political) characteristics of the country and the (distributive) consequences of the

policy. Using elementary differential calculus⁷ and considering that, at the optimal spending level, the slope of the budget line (t) equals to dD_{-j}/dE_j , we obtain the ratio between expenditures for the policy and all other goods by:

$$E_j^{*i} = \left(1 - \frac{1}{1 - \alpha_i}\right) \frac{1}{t} D_{-j}.$$

This leads to the third proposition:

Proposition 3: The less a country gains from a policy, the smaller is its most preferred spending level for that policy.

Proof: As the slope of the budget line, t , is negative, the composite good D_{-j} is positive and α_i varies between 0 and 1, we have: E_j^{*i} is decreasing whenever α_i is decreasing, i.e. $\partial E_j^{*i} / \partial \alpha_i > 0$.

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⁷ $\ln w_i = \alpha_i \ln E_j + (1 - \alpha_i) \ln D_{-j} \Rightarrow 0 = \frac{\alpha_i}{E_j} + \frac{(1 - \alpha_i)dD_{-j}}{D_{-j}} - \frac{dE_j}{E_j} \Rightarrow \frac{E_j}{D_{-j}} = \left(1 - \frac{1}{1 - \alpha_i}\right) \frac{dE_j}{dD_{-j}}$

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