

The Political Economy of EU Enlargement and the Treaty of Nice

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Abstract: The paper applies standard political-economic reasoning and game-theoretical concepts to EU enlargement and the Treaty of Nice. The starting point is the assumption that accession can only be successfully completed if the interests of decisive actors in present EU countries are respected. The Treaty of Nice is reinterpreted as an opportunity of EU-15 actors to protect their personal interests in an enlarged Community and to overcome a commitment problem on the side of the newcomers. After the identification of decisive actors and their interests, the results of Nice are analysed with the help of power indices. It is shown that reweighting of Council votes and seat allocation in Parliament favour EU-15 actors and partially contradict official objectives such as capability to act. Finally, the relative attractiveness of candidate countries is assessed on the basis of indicators that emerge as important from the approach. The paper concludes that Nice has improved the outlook for a successful enlargement because actors with veto-power on enlargement are now less likely to use it with their interests being better protected.

JEL-Classifications: F02, H77

Keywords: EU-Enlargement, Treaty of Nice, imperfect commitment,
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1 Introduction

The official objective of the Treaty of Nice is well known: The institutions and decision mechanisms of the European Union were to be adjusted in order to safeguard their function in an enlarged Union. In the light of this objective the results of the Nice European Council of December 2000 are far from satisfying. Many reform elements could not be realised that had been identified as essential for the EU comprising 27 countries. Examples concern the failure to extend qualified majority voting to policy fields of political substance or the augmentation of Parliament seats above the 700 ceiling of Amsterdam.

In order to understand better the forces leading to the results of Nice the paper suggests to look behind the official objective of the Intergovernmental Conference and to apply both strategic and political-economic reasoning. Instead of the official objective the following motive might better help to understand the Treaty of Nice: This treaty was the last opportunity to adjust EU institutions without requiring consent of Eastern European countries. Although enlargement is probably a win-win project leading to welfare improvements both in old and new member countries as a whole this is not necessarily true for the personal interests of important actors in the old EU. From a political-economic view, therefore, it is very unlikely that in Nice these actors missed the chance to change the EU constitution for their own advantage.

Thus, in this study the results of Nice are interpreted as being driven by EU-15 actors' attempt to protect their interests. It is shown that taking into account this motive is more helpful to understand the new treaty than looking merely at the officially proclaimed objective. In particular, the new Council voting formula is contra-productive for capability to act, but clearly understandable from the personal interest view suggested. It is further argued that the Treaty by benefiting the old member countries has improved the outlook for a successful enlargement. Dangers for enlargement result from a problem of imperfect commitment: It would not be credible if pre-entry candidate countries promised to respect the interests of old member countries. Thus, any reform like the Treaty of Nice that leads to a credible protection of those interests makes them more likely not to block enlargement.

Of course, enlargement is a decision of actors both in the present EU-15 and in the candidate countries. Nevertheless, the focus of this paper is on decisive actors in the West. Although an extension of the analysis to Eastern players would deserve merits, this first step seems more pressing: Presently the necessary unanimous support of EU governments for enlargement is the far

more critical condition for a successful enlargement than the internal consensus in candidate countries in favour of EU membership.

A further characteristic of the paper's approach is to focus on conflicting interests between new and old member countries. There are obviously also important conflict lines within EU-15. The underlying assumption is, however, that old-new-heterogeneity of preferences is much more pronounced than internal EU-15 heterogeneity.

Studies on the political-economic dimension of present enlargement process are scarce. While public choice issues have attracted much interest in the transition literature (for example HILLMAN, 1994; BACKHAUS AND KRAUSE, 1997; BASTIAN, 1998), the process of EU enlargement has rarely been analysed in this way. The analysis of BOFINGER (1995) is largely restricted to the interests of trade related lobbies. KOHLER (2000) looks at the interests of EU-15 countries in regard to enlargement but largely abstracts from personal interests of decisive actors in EU institutions. Furthermore these analyses are silent on the strategic consequences resulting from the different pre- and post-entry position of new member countries. BALDWIN ET AL. (1997) is helpful insofar as it analyses the impact of past enlargements on the EU budget in a political-economic perspective.

The analysis proceeds in the following way: The next section describes the basic strategic characteristics of accession negotiations. Section 3 identifies decisive actors in EU-15 and looks at their interests in regard to enlargement. Section 4 interprets central results of the Treaty of Nice in the light of these interests. Section 5 depicts the relative appeal of candidate countries on the basis of the political-economic approach followed by the overall conclusions.

2 The pre-entry strategic constellation

For a successful enlargement it is necessary that the interests of those actors in EU-15 countries are respected who can veto accession. Candidate countries would, of course, have an incentive to take care of these concerns and to accept the corresponding conditions as long as accession remains beneficial given these conditions. However, due to imperfect commitment possibilities the strategic constellation of EU enlargement does not allow for this easy solution. In order to shed light on this central strategic issue of the pre-accession situation, enlargement negotiations are interpreted in the context of two standard game-theoretic concepts: the discounting infinite bargaining game of Rubinstein and a dynamic (two-period) game with imperfect commitment.

Accession negotiations as infinite bargaining with discounting

Assuming a candidate country being able to commit itself for all future behaviour as a full EU member, enlargement negotiations can in a simplified way be interpreted as a standard bargaining problem of the kind “splitting a pie” between two parties in the setting of RUBINSTEIN (1982).

In this view, the terms of accession simply determine how the benefits of enlargement are distributed between the incumbent and the new member. While these benefits have obviously to be at least non-zero for both sides, the exact distribution is the result of a bargain. A precondition for enlargement is an agreement on the distribution of these advantages. Particularly the budgetary issues raised in the enlargement negotiations fit well into this interpretation: Decisions whether new member countries get equal treatment in the Common Agricultural or the Structural Policy have a predominantly distributive character. It is hard to see for example objective efficiency related arguments to determine these issues.

Any delay caused by the duration of bargaining makes both parties suffer from discounting, though discount factors may differ. In principle, enlargement negotiations have an infinite time horizon: The incumbent and the candidate country alternate in offering each other a specific distribution of the pie and this goes on until the other side accepts an offer. If one side accepts the offer of the other side the game ends and the gains from enlargement materialise distributed at the shares agreed.

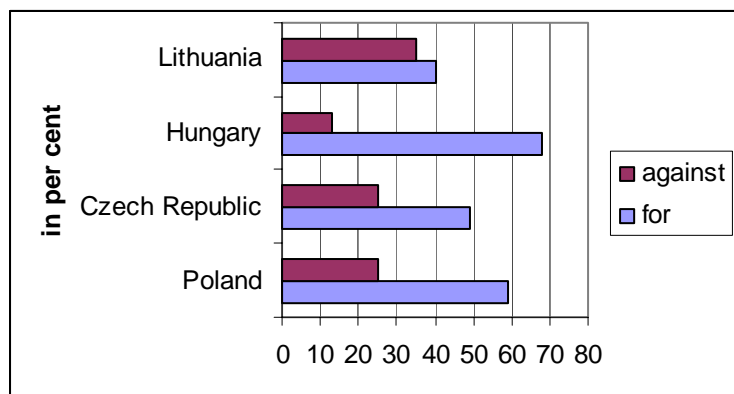
With θ_I and θ_N denoting the shares of the incumbent and the new country respectively and δ_I (δ_N) the discount factor (bounded between 0 and 1) of the incumbent and the new member, the solution of the bargaining in the RUBINSTEIN (1982) model are the following (this is a standard result, see also RASMUSEN, 1996, ch. 11 for a derivation):

$$\theta_I = \frac{1 - \delta_N}{1 - \delta_I \delta_N} \quad \text{and} \quad \theta_N = 1 - \theta_I$$

Given the perfect information assumption this distribution will result without any delay and as the unique solution. Due to the rational expectation view implied, already the first offer will be chosen in such a way that it will be acceptable for the counter-party. Even from this extremely simple bargaining interpretation there are at least two important messages for the strategic issues involved in EU accession negotiations: First, the conflict over the distribution of enlargement benefits between old and new members as such is no reason for any delay or for fears of a final failure of negotiations. Second, the discount factors are crucial for the resulting distribution of gains. The more desperate one side is to realise enlargement the lower will be its final share in the agreement.

The fact that $\partial\theta_I/\partial\delta_I > 0$ and $\partial\theta_I/\partial\delta_N < 0$ clarifies this: The higher the incumbent's and the lower the new member's discount factor the larger will be the resulting share of the incumbent. This clearly hints on a weak position of the EU candidates: In many candidate countries the consensus on EU membership is broad (see figure 1 in comparison to figure 3) and for governments in these countries the accession date has become a highly prestigious issue so that discount factors can be regarded to be relatively small compared to that of incumbent governments where enlargement is far from being an urgent desire – neither in the view of the population nor in regard to the personal interests of the decisive actors.

Figure 1: Public support for EU accession in some candidate countries (May 2000)



Source: Public Opinion Research Center CBOS, Warsaw, May 2000, question posed: „If a referendum was currently held on the access to the European Union, how would you vote?“

Enlargement and the problem of imperfect commitment

The strategic interpretation of enlargement negotiations in the preceding section is based on at least one unrealistic assumption: the ability of a potential new EU member to commit himself on all future behaviour as a full member. Given the EU constitution and the complexity of policies and decision making such a commitment is hardly possible. No complete agreement can be imagined to fix all necessary details of new members' behaviour. The situation of a new member country's pre-entry and post-entry is fundamentally different. Pre-entry a candidate has no impact on the *acquis* and basically is confronted with one choice: to join the community with the constitution defined by the old member countries or to stay out. Post-entry the same country takes part in the decision making process both on day-to-day policy and the evolution of the constitution with the same rights as the old member countries.

The post-entry influence can be used for the “national” benefit – i.e. the benefit of the government, important national interest groups and domestic constituencies. On the budgetary field this means to redirect EU spending towards objectives benefiting the new members. Experiences with former enlargement support the view that this influence will actually be used: After the accession in 1973 the UK has been successful in promoting structural spending in order to benefit from Community spending. The creation of the European Regional Fund can be interpreted in this way (FOLKERS, 1995). The introduction of the UK rebate soon after the country’s accession is a further well known example showing how new members successfully correct distributive effects of EU spending. Also after the Southern enlargement in the eighties, countries like Portugal and Spain have been successful to redefine spending priorities of the Common Agricultural Policies to their benefit (BALDWIN ET AL., 1997) and achieved a real doubling of the Structural Funds in 1986 and the Cohesion Fund in 1991.

Looking at this asymmetry between the weak pre-entry and the powerful post-entry position this turns out to be an important strategic risk factor for the success of negotiations. Figure 2 describes this problem by depicting the extensive form of the underlying two period game. The incumbent I has the first move and decides whether to accept accession of the candidate country C or not. If the incumbent denies enlargement the game is over with payoffs i_3 (n_3) for the incumbent (the candidate countries). If instead he opens the way for enlargement the candidate country has the next move – as a full member. In this capacity it either respects the established interests of the old member or not.

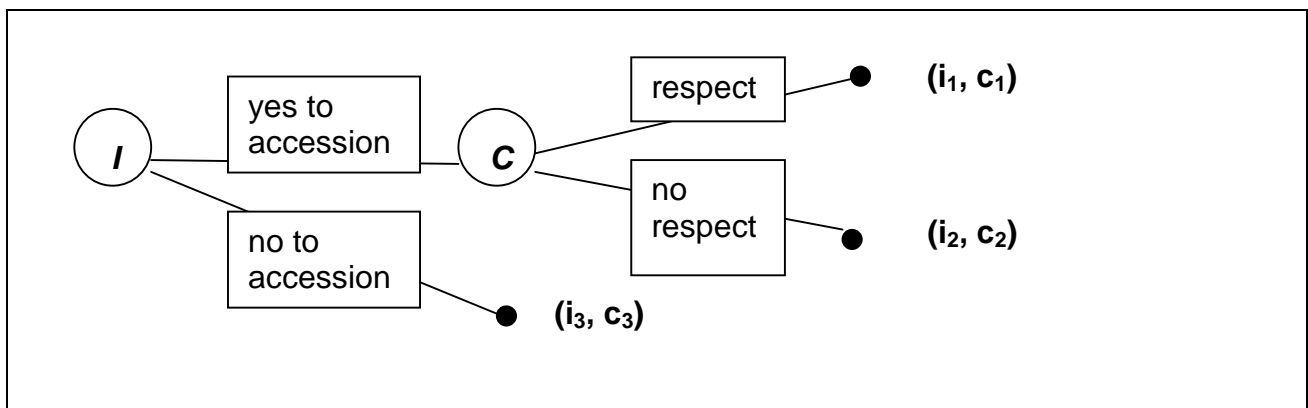
The payoffs for the candidate are characterised by the relation $c_2 > c_1 > c_3$; while even an enlargement with respect for the incumbent’s interest is preferable to no enlargement, the highest payoff results from an enlargement without respecting these interest. For the incumbent obviously the relation $i_1 > i_2$ holds. Furthermore it can be assumed that also $i_1 > i_3$ – otherwise the incumbent would never have started thinking seriously about enlargement. However, it is not clear whether the incumbent still likes enlargement if the new member country follows the no-respect path, i.e. whether $i_2 < \text{or} > i_3$. In the real world this depends for example on the answer to the following question: Does Spain still like enlargement if this means the loss of substantial amounts of structural spending to Poland?

If the answer is no, $i_2 < i_3$. In this case the commitment issue becomes crucial for the success of enlargement. If the candidate could make a credible promise to stick to the respect path the accession/respect outcome would be the solution. The distribution of enlargement benefits between both could in this commitment scenario be decided in the bargaining game as described in

the preceding section. Without the possibility of commitment, however, this outcome is no subgame perfect equilibrium. The promise of the candidate to respect the incumbent's interests is not credible. Therefore the incumbent who rationally realises the candidate's incentives as a full member will deny his assent to accession.

With $i_2 < i_3$, the incumbent still likes to achieve a credible commitment of the candidate for the respect path, but this issue is no longer crucial for enlargement. Without the possibility of a credible commitment, the accession/no respect outcome will be the resulting equilibrium.

Figure 2: Extensive Form of the Accession Game



In the light of this analysis the strategic challenge for a successful enlargement is to create commitment devices that guarantee the incumbent countries that enlargement is beneficial for them. There are two basic instrument to realise these guarantees: first, the accession treaties defining conditions of entry and second, appropriate adjustments of the Union's constitution.

In the accession treaties the imposition of transitory periods can alleviate the commitment problem if exceptions from the established Community rules are defined for the disadvantage of new members. An example concerns the discussion on transitory restrictions to freedom of movement. The second approach, the adjustment of the constitution for the benefit of EU-15 actors has widely been used in Nice. Before looking in detail at the Treaty of Nice from this perspective, it is necessary to become more precise on the decisive actors and their view on enlargement.

3 The decisive actors and their interests

The Treaty on European Union defines the actors that decide on enlargement. Article 49 states that a successful enlargement requires a unanimous decision in the Council and an absolute majority in the European Parliament. The European Commission is consulted. Furthermore, an unanimous agreement between all old and new member countries has to be reached and ratified in each country in accordance with respective constitutional requirements.

Thus, the analysis should at least include the Council, the European Parliament and also the European Commission whose consulting role should not be neglected given the importance of the Commission's reports on the progress of candidates towards accession. In order to keep the study tractable further actors from the national level (e.g. national parliaments, parties, constitutional courts and the general public in countries with referenda) are not included although they might be important due to their impact on the enlargement decision in the national ratification process (STOIBER AND THURNER, 2000).

Council

National governments represented in the Council act under the reelection constraint. Thus these individuals can not be expected to support enlargement if this would seriously undermine their chances of success in national elections. Opinion polls (see figures 3 and 4) show that enlargement is not a particularly popular issue among citizens of EU-15. Among all other topics presented in the Eurobarometer question, enlargement gets the lowest points in regard to priority. Only for three countries of Central and Eastern Europe - the Czech Republic, Poland and Hungary – are there more people in favour of accession than against. Nevertheless, even for these three countries an absolute majority in favour of accession is lacking.

Professional economists' expectations on the long-run economic consequences contradicting public opinion are not likely to have an equally important impact on the governments' position. Most economic studies tend to describe the economic consequences of enlargement as a "win-win" effect in terms of societies' welfare, where both old and new members will benefit (BALDWIN ET AL., 1997; COURBIS AND WELFE, 1999). However, this does not convincingly predict a positive stance of EU governments if voters' perceptions of the effects of enlargement are more pessimistic.

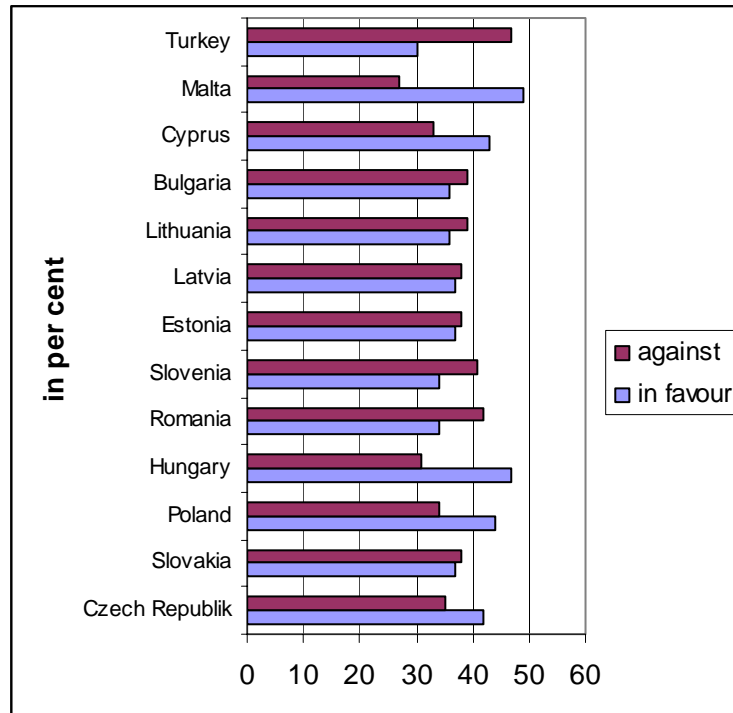
Even with an indifferent or critical general public the positive economic effects could be politically important if they were regionally or sectorally concentrated and thus of concern for special interest groups. These lobbies could then act as advocates in favour of enlargement. Unfortunately, it is hard to see these advocates in the West. BALDWIN ET AL. (1997) show that the liberalisation implied with enlargement is asymmetric. Central and Eastern European Countries (CEEC) are more protectionist than the EU and EU-trade has a much higher importance for CEEC than vice versa CEEC trade for the EU. Thus fully liberalising this trade implies larger welfare gains for the East than for the West since the extent of welfare gains is positively related to the reduction in protectionism. This asymmetry reduces the likelihood that support for enlargement by EU exporting industries will be strong.

Import competing industries will have a position between scepticism and neutrality: There are complaints that pre-entry competition from CEEC is unfair due to less strict environmental or labour safety regulations. Since enlargement forces CEECs to lift their regulatory levels to the minimum standards of the *acquis*, this could be welcomed by these interest groups in the EU. But again, due to the relative small effects of enlargement from a Western perspective, it is not likely to expect much lobbying from that group.

On the other hand, it is easier to identify interest groups who bear a large share of enlargement's costs and thus could be motivated to lobby against the project: farmers and trade unions. For farmers in Western Europe, the issue of enlargement clearly is of importance given the share of the agricultural sector in the candidate countries. EU farmers have proven to be a powerful lobby with some influence on governments. Trade unions might be opposed to enlargement due to the effects of trade liberalisation and labour mobility on real wages.

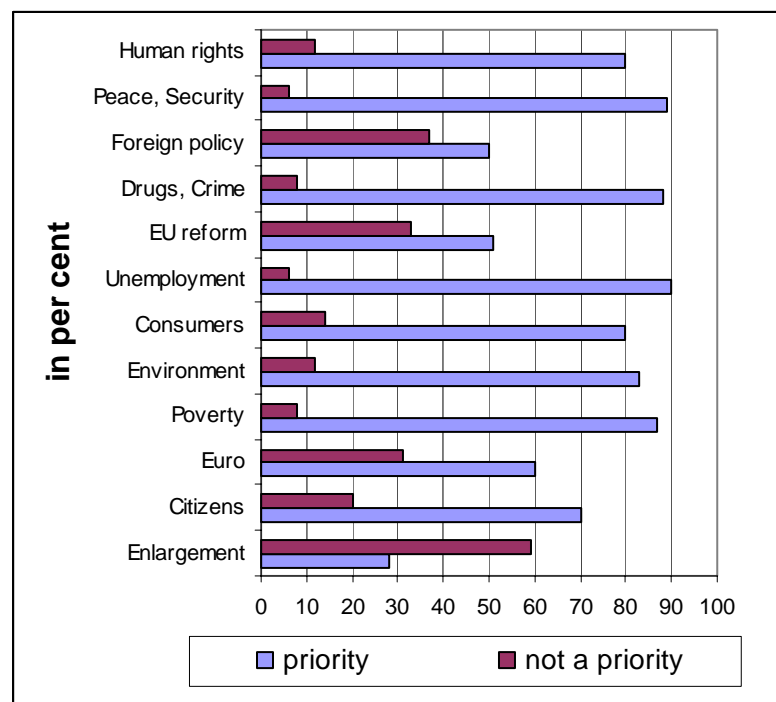
Summarising the positions of EU special interest groups it is hard to expect any significant support counteracting the general public's scepticism. On the contrary – farmer lobbies and trade unions could act as active opponents.

Figure 3: Public support for enlargement in EU-15 (autumn 1999)



Source: Eurobarometer (European Commission, 2000), question posed: „For each of the following countries, would you be in favour of or against it becoming part of the European Union“. Difference to 100 is the percentage of “don’t know”.

Figure 4: Priorities for EU actions: Preferences of EU-15 citizens



Source: Eurobarometer (European Commission, 2000), question posed: „I am going to read out a list of actions that the European Union could undertake. For each one, please tell me, if in your opinion, it should be a priority, or not?“. Difference to 100 is the percentage of “don’t know”.

Furthermore, EU-15 governments would also have to reckon with a decreasing capacity of the EU budget to serve as a politically useful distributive tool for the benefit of domestic farmers and regions. Due to the construction of structural and agricultural policies, the poor and agricultural new member countries would necessarily become net beneficiaries of the system at the costs of present member countries. This statement holds independently from the pattern of redistribution among present members. Both net-contributors and net-beneficiaries of today's EU-15 would have to reckon with a deterioration of their position after enlargement.

Judging from these considerations the governments represented in the Council could in the best case not expect to win popularity at home. Possibly, however, governments would even harm popularity and thus reduce chances for reelection.

Why should EU governments then support enlargement? One answer might simply be that governing politicians have a programmatic preference for it: The integration of former communist European countries into the EU in order to create a stable political landscape in Europe is a foreign and security policy objective present in most programmes of governing parties. Answers that are more convincing in a political-economic view come from well known self-interests the Council pursues with European integration (VAUBEL, 1994): Centralisation of competencies at the EU level helps the European government to improve their bargaining positions vis-à-vis non-member countries for example in trade negotiations at the world level. Furthermore, a "cartel of politicians" at the European level can help to limit political and economic competition between countries that constitutes an inconvenient restriction. But also governments acting as welfare maximisers might have an interest in extending the regional coverage of EU policies: Integrating new countries into the Community is helpful for internalising all sorts of externalities. One important example concerns environmental policy for cross-border pollution of air and water.

Thus present EU governments face a trade-off: On the one hand enlargement is beneficial for important political functions of EU activities. On the other hand there is the danger that distribution of fiscal resources develops for the disadvantage of EU-15 countries and that reelection chances deteriorate. The extent of this trade-off can be modified in the pre-accession situation by creating facts as long as the candidate countries can not yet defend their interests as EU members. Increasing EU-15 power shares in the institutions of EU-27 would be a credible long-run protection for EU-15 governments. In the public debate on Nice the weighting of Council votes has mainly been described as a conflict between small and large countries in today's EU. This has not been the only and probably even not the most important issue: Nice was the opportunity to adjust voting schemes in order to benefit old versus new members in the Council.

European Parliament

Since a European MP is elected by the same voters as the national governments the lacking popularity of enlargement among EU-15 voters should also restrict his enthusiasm for the issue. There are, however, additional considerations. With a positive vote on enlargement a Member of the European Parliament reduces his reelection chances independent from voters' reaction at the ballot-box. The Treaty of Amsterdam had limited the size of the Parliament at 700 seats (presently 626). Thus, in the pre-Nice constitution any enlargement requiring seats for more than 74 MP from new member countries would make a reduction of incumbent countries' seats necessary and thus reduce chances of present MP to regain a seat. This aspect indicates that the incumbent MP would not welcome a fast accession of many countries due to a significant reduction in reelection chances – independent from voters preferences on the issue. This disincentive did not exist in the case of previous enlargements.

Further thoughts might have a more or less prominent role in shaping MPs preferences concerning enlargement. The Parliament's new statute for the compensation of its members is to apply a formula oriented at the average compensation of members of national parliaments in the EU (EUROPEAN PARLIAMENT 1999). This could further reduce European MPs enthusiasm for a fast enlargement since they might suffer from income losses. Even if this formula would not be applied mechanically in the future, enlargement would probably limit the scope for future income increases of the MPs.

Given that the European Parliament favours centralisation and an expansion of the EU budget in order to enlarge its responsibilities it might regard enlargement as a helpful instrument. Enlargement will allow for further growth of the budget. The question is, however, whether a present MP's utility is derived from the size of the overall budget or only from those shares that can be used for domestic purposes – e.g. projects benefiting the home constituency. As argued above enlargement will tend to restrict the ability of EU-15 actors to use the EU budget for domestic pork-barrels. Resistance to enlargement could also be augmented if MP fear that there is a trade-off between deepening and widening, in this case assent to enlargement would contradict the European Parliament's natural desire for a advancing centralisation at the European level.

Which instruments are available that improve the cost-benefit-balance from the point of view of today's EU-15 Members of the European Parliament? Clearly, any correction in the seat allocation formula benefiting old member countries improves the balance. Allocating more seats – “more” both in absolute and in relative terms - to EU-15 in an enlarged EU will comfort incumbent MPs

for two reasons. With any such correction reelection probability increases since less seats get lost for EU-15 after enlargement. Furthermore, a larger number of seats increases power of EU-15 MPs in likely future West-East spending disputes.

Interests of today's MPs do not necessarily require a permanent improvement of seat allocation. Transitory provisions might be sufficient. A reduction in seats per country will only affect a MP personally if this reduction takes place within the expected active political life of that individual. Thus, today's MP will tend to favour transitional provisions that delay necessary reductions. The earliest possible time for the reduction to take effect is after the next European election in 2004. Delaying the adjustment until 2009 would protect effectively a majority of today's MP as can be seen from the age distribution (table 1). 70% of the Members of the European Parliament as of July 2000 would be aged 60 or less at the 2004 election so that for them another term would often be interesting. Therefore a large majority would expect to be personally negatively affected by an early adjustment. This share will decrease to 46.8% in 2009.

Table 1: Age distribution of present EP members (July 2000) in 2004 and 2009

age class	2004 absolute	2004 cumulative share	2009 absolute	2009 cumulative share
<30	5	.80%	1	.16%
31-40	35	6.39%	19	3.19%
41-50	133	27.64%	65	13.58%
51-55	120	46.81%	88	27.64%
56-60	145	69.97%	120	46.81%
61-65	111	87.70%	145	69.97%
66-70	48	95.37%	111	87.70%
>71	29	100.00%	77	100.00%

Own calculations, based on EP membership in July 2000 (website European Parliament).

Thus, with regard to the Parliament's interests one would expect Nice to be used in order to increase both the absolute number and the relative share of EU-15 seats in an enlarged EU - above the level that would result from a simple extrapolation of the status quo. This increase should be expected on a permanent and/or transitory basis.

Of course, Nice has been negotiated by the European Council and not by the Parliament. There are, however, two reasons to expect these preferences to have an impact on the Treaty of Nice. Preferences of today's MPs in favour of more seats are consistent with preferences of the Council

to limit the power of new candidates. Apart from that, the Treaty of Nice is subject to a consent by Parliament which should have had an impact on the negotiations in the European Council.

Commission

Applying the theory of bureaucracy is a helpful starting-point to identify the interests of the Commission in regard to enlargement. In terms of simple budget maximisation, the Commission should like accession of new countries since this implies a further expansion of both budget and staff. Furthermore, the powers assigned to the Commission by the EU constitution would be extended to further countries with millions of inhabitants – changes clearly in the interest of a power and budget maximising institution.

A more differentiated view, however, has also to take account of some negative consequences for the individuals in the Commission. The following simple calculation hints at an increasing work pressure in the Commission after enlargement. The workload of the Commission as a guardian of the Treaties can be expected to grow with the number of member countries and population. A full enlargement of 12 countries would imply an increase in the number of countries by 80%, EU population would increase by 28%. Judging from the results of the Agenda 2000 the EU budget is planned to grow only in proportion with GNP (being fixed at a level of 1.27% of EU GNP). On the basis of 1998 data, a 12 country enlargement would, however, expand EU GDP by only 4.5%. Thus workload grows faster than the budget – not a pleasant perspective for Commission's present staff.

The commissioners themselves are negatively affected by enlargement if this reduces their chances to be nominated for the next commission. This disincentive to support enlargement did not exist in previous enlargements. The idea of reducing the number of EU-15 commissioners had already been debated in Amsterdam. The modest reform option discussed is that the big five countries give up their second seat in the collegium. The further reaching reform being debated since Amsterdam is to give up the principle of national representation in favour of some kind of rotation. Both reforms would reduce the chances of present commissioners to be part of a post-enlargement Commission. Even the moderate reform option would cut reappointment chances of 10 present commissioners by half. Applying an age analysis (see table 2) similar to the approach for the parliament shows, however, that this is not a serious problem for the concerned individuals. Commissioners from the five large countries are relatively old: 8 of a total of 10 will be 60 or above at the time of the next regular appointment of a new Commission in 2005. This contrasts to

the age structure of commissioners from small countries where 3 of a total of 10 will be 60 or above in 2005. This indicates that resistance against the loss of the second commissioner for the five larger countries can be expected to be low among the individuals in today's Commission. Resistance should be more intense against the abolition of the principle of national representation since this would hurt a significant number of present commissioners personally.

It is even less obvious than in the case of Parliament to see an impact of these Commission preferences on the Treaty of Nice given the merely consulting role of this institution in the Intergovernmental Conference. Only insofar these preferences are consistent with the strategic objectives of the Council (and the Parliament) it is plausible to see them respected in Nice. With regard to the protection of EU-15 power, the Council should have a preference for an extrapolation of the status quo (2 commissioner for the big five) in comparison to the modest reform (one country – one commissioner). While in the extrapolation case old members would have 20 commissioners of a total 32 (37.5 per cent) this would drop to 15 of 27 (55.6 per cent) in the modest reform scenario. The assessment of a rotation system – the extreme reform scenario – would depend on the impact of population. Only if population size would positively influence the likelihood of a country to be represented in the commission, this would be better than “one country – one commissioner” given the objective to maximise EU-15's power share in all institutions.

Table 2: Age of commissioners

Commissioner	Country	Born	Age end of 2005
Franz Fischler	Austria	23.09.45	60
Philippe Busquin	Belgium	06.01.41	64
Poul Nielson	Denmark	1943	62
Erkki Liikanen	Finland	19.09.50	55
Pascal Lamy	France	1947	58
Michel Barnier	France	09.01.51	54
Günter Verheugen	Germany	28.04.44	61
Michael Schreyer	Germany	08.08.51	54
Anna Diamantopoulou	Greece	1959	46
David Byrne	Ireland	26.04.47	58
Romano Prodi	Italy	09.08.39	66
Mario Monti	Italy	19.03.43	62
Viviane Reding	Luxembourg	27.04.51	54
Frits Bolkestein	Netherlands	1933	72
Antonio Vitorino	Portugal	12.01.57	48
Loyola de Palacio	Spain	16.09.50	55
Pedro Solbes Mira	Spain	31.08.42	63
Margot Wallström	Sweden	28.09.54	51
Neil Kinnock	United Kingdom	28.03.42	63
Chris Patten	United Kingdom	1944	61

Dates of birth from Commission Website.

4 The Results of Nice

Nice was the last opportunity for EU-15 actors to create facts for the enlarged Community without requiring the consent of candidate countries. That is why the results should mirror the preferences of EU-15 actors as they have been identified in the preceding section. This protection does not in any case require permanent constitutional adjustments. For an individual MP or government representative, a temporary protection can be satisfying. Therefore, both permanent and transitory provisions of the Treaty have to be included in the analysis.

A further methodological consideration is necessary. For the verification of the suggested political-economic view it is not sufficient to show the consistency between the Treaty of Nice and the personal interests of decisive actors. This consistency might merely be a by-product of the official objective to safe-guard the capability to act in an enlarged EU. The political-economic view can only convincingly be supported if important elements of the Treaty of Nice are on the one hand compatible with this view and on the other hand not helpful or even counter-productive in terms of the official objective.

Council voting

Voting weights and procedures in the Council were the most intensively debated issues in Nice. The results are as follows (TREATY OF NICE, Declarations 20 and 21):¹ Voting weights in EU-27 range from 29 for the big four to 3 for Malta (weights listed in table 3). The sum of votes is 345. 255 votes cast by at least a majority of member countries (i.e. 14 in EU-27) are necessary to reach a qualified majority. Thus, 91 votes form a blocking minority.² In addition to that, a population

¹ In the aftermath of the Nice summit there was confusion about the true results of Nice. The basis of this analysis is the text of the Treaty of Nice as finalised by the legal/linguistic experts working parties, dated 14 February 2001 and downloaded 27 February 2001 – the day after the Treaty was signed by the foreign ministers. Of course, this version is still subject to possible changes in the ratification process.

² Declaration 20 and 21 are contradictory in their definition of a qualified majority. Declaration 20 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.” With a total of 345 votes this implies the blocking minority level of 88 votes. In contradiction to that Declaration 21 states: “When all the candidate countries mentioned above have acceded, the blocking minority, in a Union of 27, will be raised to 91 votes”. This, however, implies that the qualified majority is 255. Here, the Declaration 21 is assumed to dominate. Anyhow, the Declaration 20 version would not lead to a qualitatively different analysis.

weighting is introduced: In qualified majority voting a Council member may request that the qualified majority represents at least 62% of the total population.

In order to assess resulting power shares and decision probabilities it is made use of the Shapley-Shubik power index. This power index is based on a 'pivotal' concept. Each country's share out of all possible coalitions is calculated for which this country is crucial to turn a losing coalition into a winning one (SHAPLEY AND SHUBIK, 1954; FELSENTHAL AND MACHOVER, 1998). This power index is a more meaningful concept to assess power distribution than merely looking at shares in weighted votes.

A useful concept to quantify the capability to act – one of the official Nice objectives – is Coleman's decision probability: It is defined as the number of winning coalitions in relation to the total number of possible coalitions (COLEMAN, 1971). This indicator thus shows the probability that all necessary restrictions of a voting procedure are fulfilled under the assumption that each possible coalition has equal probability.³

Table 3 summarises the results of this calculation for Council voting in EU-27. The post-Nice constitution is compared to a fictitious "pre-Nice" constitution. This reference point is defined as the extrapolation of the present EU-15 constitution to 27 member countries (this extrapolated vote allocation had been circulated at the Intergovernmental Conference, CONFER, 2000a). This pre-Nice constitution has the following specifications: As in the EU-15 a qualified majority is reached at 71 per cent (95 votes out of 134). There are no additional requirements for qualified majority in regard to the number of countries or population shares since no such requirements exist presently if voting is on a proposal from the Commission which is the most relevant case (Article 205 TEC).

The comparison of the Treaty of Nice with the extrapolated reference point shows: The Intergovernmental Conference has been used to increase power shares of EU-15 countries in the Council in a significant way. The simple extrapolation of the present system would have given EU-15 countries 64.9 per cent of Council votes and 65.4 per cent of power according to the Shapley-Shubik indicator. The post-Nice constitution is clearly more favourable from a Western perspective. The corrections favouring large countries also favour the old countries. EU-15 countries command post-Nice 68.7 per cent of Council votes and 69.2 per cent of power.

³ Calculations of the Shapley-Shubik index and Coleman's decision probability were executed using the program "Indices of Power IOP 2.0" by Thomas Bräuninger and Thomas König, University of Konstanz. This program is downloadable at <http://www.uni-konstanz.de/FuF/Verwiss/koenig/>.

Remarkable is the fact that the results of Nice are clearly worse than the extrapolation scenario given the capability to act objective: While in the extrapolation case Coleman's decision probability is at 2.9 per cent, it is with 2.0 per cent much lower in the Nice constitution.⁴ So these results contradict the official objective.

Table 3: Power distribution and decision probabilities in the Council

		Nice ¹		Pre-Nice ¹	
	Population (in 1.000)	Weights	Shapley-Shubik power share	Weights	Shapley-Shubik power share
Germany	82038	29	0.087	10	0.077
United Kingdom	59247	29	0.087	10	0.077
France	58966	29	0.087	10	0.077
Italy	57612	29	0.087	10	0.077
Spain	39394	27	0.080	8	0.060
Poland	38667	27	0.080	8	0.060
Romania	22489	14	0.040	6	0.044
Netherlands	15760	13	0.037	5	0.037
Greece	10533	12	0.034	5	0.037
Czech Republic	10290	12	0.034	5	0.037
Belgium	10213	12	0.034	5	0.037
Hungary	10092	12	0.034	5	0.037
Portugal	9980	12	0.034	5	0.037
Sweden	8854	10	0.028	4	0.029
Bulgaria	8230	10	0.028	4	0.029
Austria	8082	10	0.028	4	0.029
Slovakia	5393	7	0.020	3	0.022
Denmark	5313	7	0.020	3	0.022
Finland	5160	7	0.020	3	0.022
Ireland	3744	7	0.020	3	0.022
Lithuania	3701	7	0.020	3	0.022
Latvia	2439	4	0.011	3	0.022
Slovenia	1978	4	0.011	3	0.022
Estonia	1446	4	0.011	3	0.022
Cyprus	752	4	0.011	2	0.014
Luxembourg	429	4	0.011	2	0.014
Malta	379	3	0.008	2	0.014
Coleman Decision Probability			0.020		0.029
Sum EU-27	481181	345	1.000	134	1
Sum EU-15	375325	237	0.692	87	0.654
EU-15/EU-27	0.780	0.687	0.692	0.649	0.654

¹The calculation of the power index and decision probability has taken account of the following requirements for a qualified majority: 255 out of 345 votes (73.9 per cent), 62 per cent of population, 14 countries (Nice); 95 out of 134 votes (70.9 per cent) and no further conditions (Pre-Nice). Eurostat population data refer to 1999 (CONFER, 2000b).

⁴ In an unpublished paper BRÄUNINGER AND KÖNIG (2001) show that post-Nice power distribution and decision probability are largely driven by voting weights and the 255 threshold, while population weighting and the 14 countries requirement has hardly an effect.

Parliament

Also for the Parliament the Nice results can be compared to a fictitious pre-Nice situation based on an extrapolation of the present EU-15 constitution. Table 4 summarises the results of that comparison. The pre-Nice seat allocation of EU-27 is official in the sense that this scenario circulated at the Intergovernmental Conference (CONFER, 2000b). As for the Council, the Nice reforms for the Parliament lead to a larger power share of EU-15 countries in the enlarged Union in comparison to the extrapolated status quo: The Shapley-Shubik power share of EU-15 increases from 72.4 to 74 per cent. This time the decision probability is not affected since there are no changes in the majority requirement in Parliament decision making.

It is hardly convincing to explain this power shift towards EU-15 countries solely with the desire for a better democratic legitimacy by a representation more proportionate to population. The seat allocations of Czech Republic and Hungary contradicts this explanation: For these two candidate countries ranking of seats does not correspond to population ranking. While population ranking (see table 3 and 4) is Czech Republic – Belgium – Hungary - Portugal, seat allocation is 20 – 22 – 20 - 22. This is a clear proof that restricting the power of the newcomers was a driving motivation.

From a self-interest view today's MPs should be particularly interested in defending absolute numbers of seats. In terms of the official objective – capability to act – this is supposed to be counterproductive. During the Intergovernmental Conference the official consensus existed that increasing the number of seats above the Amsterdam ceiling of 700 would have a negative impact on the efficiency of parliamentary work.

The Nice decision to extend the Parliament above the Amsterdam ceiling to 732 is therefore a further indication for the relevance of the political-economic driving forces. Again this becomes obvious comparing the absolute number of EU-15 seats for the extrapolated pre-Nice and the post-Nice situation. In the extrapolated pre-Nice constitution, EU-15 would have 71.6 per cent of the seats. Combined with the Amsterdam ceiling of 700 this would imply 501 seats for EU-15. The post-Nice situation is with 535 seats more favourable. This alleviates the seat driven reduction of reelection chances. While in the pre-Nice extrapolation the old countries would lose on average 20 per cent of seats (125/626) they now lose only 14.5 per cent (91/626).

Table 4: Power distribution and decision probabilities in the Parliament

	Nice		Pre-Nice	
	Seats	Shapley-Shubik power share	Seats	Shapley-Shubik power share
Germany	99	0.146	99	0.119
United Kingdom	72	0.101	87	0.103
France	72	0.101	87	0.103
Italy	72	0.101	87	0.103
Spain	50	0.068	64	0.074
Poland	50	0.068	64	0.074
Romania	33	0.044	44	0.049
Netherlands	25	0.033	31	0.034
Greece	22	0.029	25	0.028
Czech Republic	20	0.026	25	0.028
Belgium	22	0.029	25	0.028
Hungary	20	0.026	25	0.028
Portugal	22	0.029	25	0.028
Sweden	18	0.023	22	0.024
Bulgaria	17	0.022	21	0.023
Austria	17	0.022	21	0.023
Slovakia	13	0.017	16	0.017
Denmark	13	0.017	16	0.017
Finland	13	0.017	16	0.017
Ireland	12	0.016	15	0.016
Lithuania	12	0.016	15	0.016
Latvia	8	0.010	10	0.011
Slovenia	7	0.009	9	0.010
Estonia	6	0.008	7	0.008
Cyprus	6	0.008	6	0.006
Luxembourg	6	0.008	6	0.006
Malta	5	0.006	6	0.006
Coleman Decision Probability		0.498		0.498
Sum EU-27	732	1	874	1
Sum EU-15	535	0.740	626	0.724
EU-15/EU-27	0.731	0.740	0.716	0.724

The calculation of the power index and decision probability is based on the case of voting by absolute majority. The total number of seats in the pre-Nice extrapolated scenario do not respect the 700 ceiling of Amsterdam. A proportionate reduction of these number would, however, have no impact on the calculations.

Looking at the transitory details reveals even a more radical protection of today's MPs interests. The "Protocol on the Enlargement of the European Union" included into the Treaty (TREATY OF NICE, 91-92) effectively protects reelection chances also for the 2004 election. The provisions are as follows: The new seat allocation (535 seats for EU-15) takes effect on 1 January 2004. However, if at this date not all 12 accession treaties are signed, a transitory provision will come into force: Allocations of EU-15 countries and those countries, for which accession treaties are

signed, will undergo a proportionate correction to bring the total number of seats as close as possible to the new 732 limit. If further accessions take place during the 2004-2009 term the Protocol even includes a transitory derogation on the 732 limit: In this case the number of seats is allowed to exceed 732. Since it is almost sure that not for all 12 countries accession treaties are already signed in the beginning of 2004 this means that the 535 seat restriction for EU-15 will not be fully applied before 2009. Thus, judging from the age analysis of section 3, incumbent MPs in the 1999-2004 term are largely sheltered from personal negative consequences of enlargement. It is hard to see any explanation for these provisions originating from the official objectives of the Intergovernmental Conference. On the contrary, allowing permanently a number of 732 seats and for a transitory period even more is counterproductive for the capability to act objective.

Commission

The Commission is the only institution where the Nice results do not clearly reflect the desire of EU-15 actors to defend their interests in an enlarged Community.

The provisions concerning the Commission contained in the “Protocol on the Enlargement of the European Union” (TREATY OF NICE, 96-97) state that for the next Commission after 1 January 2005 each member country will be represented by one Commissioner. The resulting EU-15 share of seats in the EU-27 Commission is only 55.6 per cent (15/27). This is less for EU-15 than an extrapolation of the present system would have implied. 2 Commissioners for Germany, France, Italy, United Kingdom, Spain, Poland and 1 for each other member country would have led to an EU-15 share of 60.6 per cent (20/33). Only after the completion of the EU-27 enlargement a rotation system is to be introduced so that the number of Commissioners can fall below the number of member countries. However, this will not improve the EU-15 share of seats since population weights in this rotation system are practically excluded by the provision that “Member States shall be treated on a strictly equal footing”.

The present Commissioners have no reason to be unhappy with this solution. Reappointment chances for those who would have the age for another term in the next regular Commission 2005 (see section 3) do not deteriorate substantially. Nevertheless, this result seems to contradict the approach of this paper since for this institution the opportunity of Nice to protect EU-15 power was missed. The following interpretations could explain the results: Possibly due to its European perspective the Commission was regarded by the Nice European Council as unimportant for the distribution of power between member states in the EU. Given this low importance the European

Council was in a position to put more weight to the capability to act objective than to power considerations. It could also use the opportunity to comfort incumbent Commissioners by choosing a reform option welcomed by the present collegium from a personal point of view.

Further details of Nice

A number of further details of the Treaty of Nice are supportive for this paper's approach. A main criticism of the Treaty in politics and media referred to the reluctance to move from unanimity to majority voting on such fields as taxation, social policy, immigration or structural spending. Of course, this reluctance is bad for the capability to act – but helpful to protect EU-15 interests. Since all these policies concern fields with substantial economic and fiscal importance, continuing veto power safely protects EU-15 governments from policy changes which are detrimental for the own interest.

A very revealing example for a sheltering transitory provision is structural spending where pre-Nice unanimity applies. The Treaty (TREATY OF NICE, 35, 172) now states that here qualified majority voting is introduced from 2007 onwards. However, this change is subject to the condition that in January 2007 the next financial perspective with a 7 years duration has been adopted. This shifts the effects of majority voting in this policy field to 2014, well beyond the political time horizon of all present actors.

However, sticking to unanimity can raise the newcomers' power if this concerns fields where EU-15 actors would like to see changes and new member countries would not. In this case veto-power could become a valuable asset for newcomers. The Nice European Council did not miss the opportunity to devalue this asset: by simplifying conditions for enhanced cooperation. The provisions on closer cooperation have been introduced in Amsterdam and allow a subgroup of EU members a closer cooperation and the use of EU institutions for this purpose. Pre-Nice, any country could block a "two-speed-Europe" by its veto. In Nice this veto was deleted. Now, the consent of 8 countries is enough to start enhanced co-operation.⁵ This guarantees that EU-15 countries do not have to pay to new member countries in logrolling deals if they want to start projects of intensified integration.

⁵ A number of further conditions remain like the requirement that the initiative must be consistent with other policy fields of the EU and that it has to be open for all member countries (Treaty of Nice, 18-23)

5 Political-economic indicators for accession chances

Since the Treaty of Nice has specified the distribution of power between old and new members, EU-15 actors can much better analyse the consequences of enlargement. With this knowledge they can now optimise the enlargement process in terms of timing and sequencing. After Nice, decisions on timing and sequencing are the last remaining degrees of freedom to improve the cost-benefit-analysis of enlargement. Thus, this section tries to find answers to the following question: Given the Nice constitution, which timing and which choice of countries will be attractive from the point of view of actors in EU-15 who decide on enlargement?

Concerning timing the transitory provisions for the European Parliament allow the following conclusion: In order to protect chances at the next election, MPs have an incentive to delay the signature of as many accession treaties as possible beyond 1 January 2004 – since this would automatically lead to an augmentation of EU-15 seats and thus boost reelection prospects at the 2004 election. Apart from this statement only one general conclusion can be drawn in regard to timing: Both the Council and the Parliament should like accession treaties where the full impact of enlargement is shifted beyond the political time horizon of present incumbents – e.g. through the use of appropriate transitory provisions.

More can be said about the likely sequencing of enlargement in terms of candidate countries. Since the Copenhagen criteria still leave room for interpretation those countries can be chosen whose membership would serve best the interest of individuals in present EU governments, the European Parliament and the Commission. The preceding analysis suggests that EU actors face a basic trade-off in choosing new members. On the one hand they are interested to extend the size of the EU since this amplifies the political and economic usefulness of European integration (benefits from trade, power of EU in international negotiations, political cartel, internalisation of externalities). On the other hand actors from EU-15 face a price for enlargement in terms of power losses in EU institutions and an increasing fiscal burden resulting mainly from the Common Agricultural and the Structural Policies and their application to new member countries. This suggests that the candidate country is most attractive that for a given size implies the smallest power loss and the smallest fiscal burden.

Some simple indicators can be constructed that describe the relative attractiveness of EU candidates in the logic of this approach. Here it is assumed that GDP (in purchasing power

standards) is the variable EU actors are most interested to maximise. In the political dimension those countries are most attractive that for a given share of power in EU institutions offer the largest GDP and whose accession is popular in EU-15.

To quantify the political attractiveness of the candidates it can be made use of the Shapley-Shubik (SS) power shares of the candidate countries in the Nice constitution (as calculated in table 3 and 4). The following indicators can thus be constructed for each country: GDP divided by SS-power share in the Council and GDP divided by SS-power share in the European Parliament. Furthermore, public support in EU-15 for the membership of the candidates is included as an indicator (on the basis of the balance between votes in favour and against accession of each country). A high degree of popularity indicates that this country's entry would not lead to a punishment of EU-15 politicians by the voter.

Figure 5 depicts the resulting indicators (countries ordered by the GDP-Council power relation). All indicators have been standardised by their means and standard deviations. Signs are adjusted to allow an easy interpretation: Positive/negative values indicate an above/below average position in terms of attractiveness and the unit refer to standard deviations of the underlying indicator.

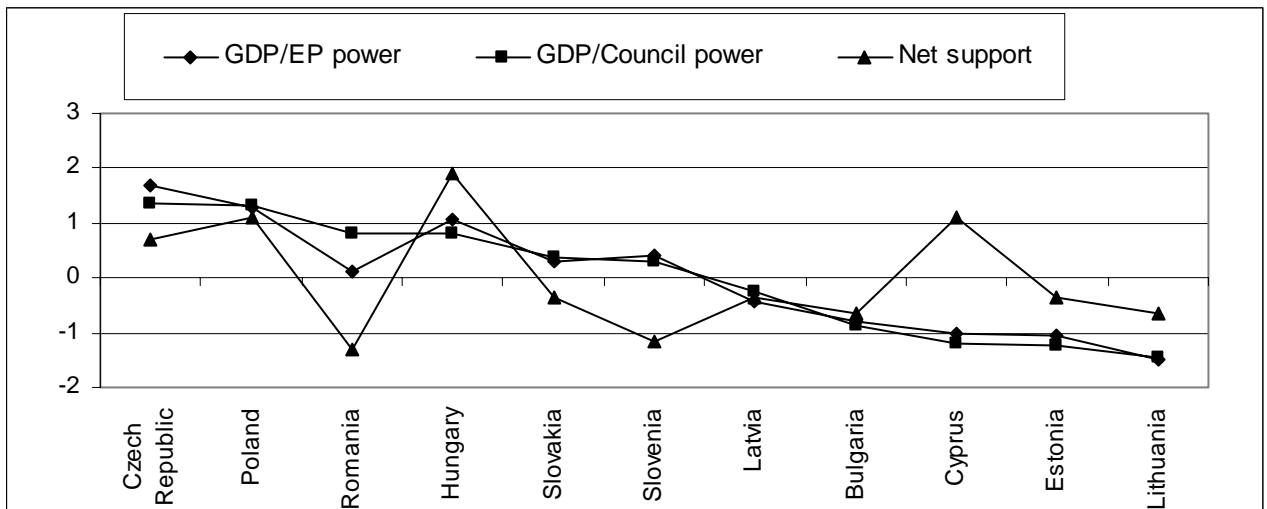
Figure 6 depicts the relative attractiveness of candidates in the fiscal dimension (countries ordered by per capita GDP). The following variables serve as indicators since they are crucial for net receipts of a country in the EU budgetary system: per capita GDP (1999), the share of agriculture in gross value added (1998), the share of agriculture in employment (1998) and the unemployment rate (1998). Some of these variables – unemployment rate and GDP per capita – can also be regarded as indicators of migration pressure since they are important determinants in any migration decision. Again variables are standardised and constructed in a way that positive values stand for above average attractiveness.

The following picture emerges: Although countries with large populations tend to be attractive due to their low political power in EU institutions for a given GDP, some small and medium countries have an appeal for EU decision makers due to relatively low fiscal burdens.

Obviously, the construction of any overall indicator of political attractiveness is necessarily arbitrary and the results must therefore treated with caution. Nevertheless such an aggregation is helpful to illustrate the reasoning presented. Table 5 shows results of such an aggregation: It reports the ranks of candidates on the basis of all seven indicators. The last column shows the average rank and also determines the ordering of countries in the table. This ordering can be regarded as a (very rough) indicator of the relative political-economic appeal of candidate

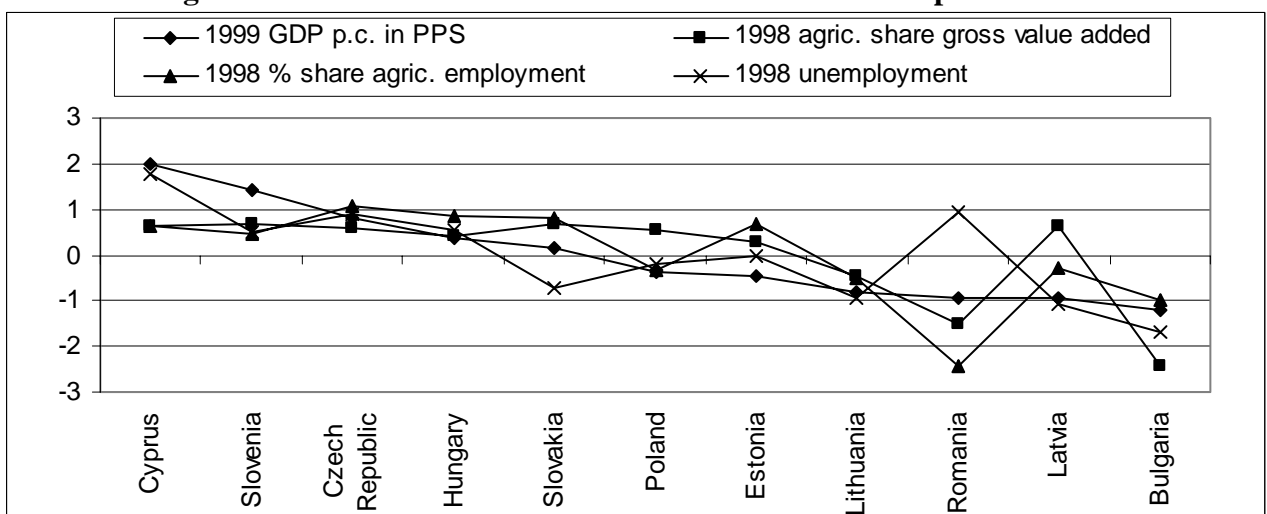
countries for Western decisive actors which should have its impact on the sequencing of accessions. The ordering corresponds well to the sequencing of accession negotiations so far applied: The six countries of the Luxembourg group (Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia; countries for which accession negotiations started already in March 1998) are among the top eight.

Figure 5: Relative attractiveness of candidates: the political price



For the values and sources of underlying indicators see appendix. Indicators are standardised (mean zero and standard deviation one). Positive values indicate above average attractiveness. Malta not included due to missing values.

Figure 6: Relative attractiveness of candidates: the fiscal price



For the values and sources of underlying indicators see appendix. Indicators are standardised (mean zero and standard deviation one). Positive values indicate above average attractiveness. Malta not included due to missing values.

Table 5: Ranks of political-economic appeal for different indicators

	GDP/ Council power	GDP/EP power	Net support	1999 GDP p.c. in PPS	1998 agric. share gross value add.	1998 agric. employ- ment % of total	1998 unemploy- ment rate	Average rank
Czech Republic	1	1	4	3	5	1	3	2,6
Hungary	4	3	1	4	7	2	4	3,6
Cyprus	9	9	2	1	4	5	1	4,4
Slovakia	5	5	5	5	1	3	8	4,6
Poland	2	2	2	6	6	8	7	4,7
Slovenia	6	4	10	2	1	6	5	4,9
Latvia	7	7	5	9	3	7	10	6,9
Estonia	10	10	5	7	8	4	6	7,1
Romania	3	6	11	9	10	11	2	7,4
Lithuania	11	11	8	8	9	9	9	9,3
Bulgaria	8	8	8	11	11	10	11	9,6

Source of underlying data see appendix. Malta not included due to missing data.

6 Conclusions

The analysis has shown that it is not possible to understand the results of Nice by merely looking at the official objectives such as capability to act. The EU-15 actors have used the last opportunity to protect their interests through appropriate constitutional adjustments. Sometimes these adjustments run even counter the official objectives: The Council voting and the augmentation of seats in Parliament have decreased capability to act. The most obvious example for the relevance of the power shifting motive is the treatment of Czech Republic and Hungary where population ranking was reversed in the allocation of parliamentary seats.

The fact that in Nice compromises could be found in spite of heavy conflicts between small and big member countries can as such be taken as a further support for the strategic interpretation. In the Intergovernmental Conference, large and small countries of EU-15 were united by the desire to protect their established interests in the enlarged Union. The small countries could accept corrections favouring the big countries since this led to a distribution of power towards EU-15 countries as a whole. Under the assumption that dividing lines of future conflicts run rather between West and East than between small and big, this was part of a completely rational strategy and not an altruistic act.

The Treaty of Nice has improved the chances for a successful enlargement - albeit in a different sense than declared officially. Capability to act has not been markedly improved. However, interests of those individuals that have veto-power on enlargement are now better protected so that they are more likely to support accessions. From a strategic point of view, the Treaty has alleviated a commitment problem. Pre-entry promises of candidate countries to respect old members' interests are not credible. The institutional reforms in Nice succeeded in restricting the newcomers' post-entry power. This has created credible guarantees from the perspective of EU-15 actors.

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Appendix

Basis data for indicators on accession chances

	1999 popu- lation	1999 GDP p.c. in PPS, EU= 100	1998 agric. share gross value added	1998 agric. share total employ- ment	1998 unemp- loyment	1999 net support for mem- bership EU-15
Poland	38667	37	4.8	19.1	10.6	10
Romania	22489	27	16.1	40	6.3	-8
Czech Republic	10290	59	4.6	5.5	6.5	7
Hungary	10092	51	5.5	7.5	7.8	16
Bulgaria	8230	22	21.1	25.7	16	-3
Slovakia	5393	47	4.1	8.2	12.5	-1
Lithuania	3701	29	10.3	21	13.3	-3
Latvia	2439	27	4.3	18.8	13.8	-1
Slovenia	1978	71	4.1	11.5	7.9	-7
Estonia	1446	36	6.3	9.4	9.9	-1
Cyprus	752	81	4.4	9.6	3.3	10
Malta	379	n.a.	2.7	1.8	5.1	22
Source	CONFER (2000b)	Eurostat (2000)	Eurostat (2000)	Eurostat (1999)	Eurostat (1999)	European Commis- sion (2000)