

Enlargement and institutional reform between external and internal pressures^{*}

by

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Abstract. In this paper I focus on how the enlargement process is connected to the currently proposed institutional reforms in the European Union. Although the ‘official’ claim is that enlargement requires reform, the relationship between both processes is not that obvious. The use of unanimity voting for policy issues already leads to substantial deadlock in the current Union, which could be solved by the introduction of more (qualified) majority voting. Moreover, enlargement would only marginally decrease the Union’s ‘flexibility’ in view of the current ‘inflexibility’. Under qualified majority rule, enlargement even appears to have no significant effect on ‘flexibility’. At the same time, enlargement decreases the power of the current member states in a future Union, especially for the larger member states when qualified majority voting is used. This, and the possibility to the current member states to link enlargement with specific policy demands, could be the really important factors in the timing of the enlargement process.

1. Introduction

During the negotiations of the Amsterdam Treaty (1997), which was intended to prepare the Union’s institutional framework for further enlargement, the main institutional actors in the European Union expressed a concern that the entry of new member states may reduce the effectiveness of the Union’s institutions. The Reflection Group (1995: 3), which worked on the European Council mandate to prepare the revision of the treaties, declared that ‘[t]he next enlargement will be a great opportunity for Europe and will also be different from the previous ones because of the large number of applicant countries and the heterogeneity of their

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political, economic and social situations. To ensure that the next enlargement does not weaken, change the nature of or actually break up the Union, the reforms needed to cope with the challenges involved must first be made.' In the same vein, the European Commission fears that '[a]s the number of Union members increases, it creates a risk of the Union being watered down' (European Commission, 1996: 2). Despite these warnings and fears, the Heads of State could not settle on further institutional reform at Amsterdam.

As a result, another intergovernmental conference (IGC) has been initiated in 2000 in order to prepare the Union for institutional reform. The main reform issues on the agenda are a change towards more qualified majority voting in the Council, the size and composition of the Commission, and re-weighting of votes in the Council. Again, fears have been expressed concerning the potential effect of enlargement if reforms are not introduced. On the invitation of Commission President Prodi, Jean-Luc Dehaene, Richard von Weizsäcker and David Simon have submitted a report in which they present their views on the institutional implications of enlargement. They state that '[a] significant increase in the number of participants automatically increases problems of decision making and management' (Dehaene et al. 1999: 6). The 'three wise men' suggested, among others, to reduce the use of unanimity rule and further introduce majority voting. At the start of the ICG the Commission clearly remarked that reform is a necessary condition for enlargement (European Commission, 2000: 3).

The strong emphasis on institutional reform as a condition for enlargement raises the question whether such a reform is indeed inevitable. Earlier enlargements of the Union with Spain and Portugal, and later, with Austria, Sweden and Finland, opened some debates on institutional reform, but enlargement was not made conditional on a successful reassessment of the Union's institutions and decision making procedures. As Preston (1997: 21) indicates, '[a]lthough there have been temptations to explore institutional innovations in parallel with enlargement, explicit issue linkage has always been avoided. The participation of new members in the institutions has always been based on calculations of proportionality according to the criteria in use at the time.' Nevertheless, the last enlargement with Austria, Finland and Sweden, was accompanied with a discussion about the stabilization of power positions of some of the (larger) member states. In the

Spring of 1994, when the Union was bound to admit the three new member states, Spain and the United Kingdom objected to any reduction of their vote shares in the Council for decisions that need to be taken by qualified majority. They took the position that the number of votes that would be sufficient to block Council decisions should be the same after the enlargement. To overcome the deadlock in the decision making process and to allow for the 1995 enlargement, the member states found a compromise that took into account the concerns expressed by Spain and the UK. This decision, which introduces an additional safeguard for the member states against unfavorable decisions of the Council, is known as the 'Ioannina Compromise'. At the same time, this event suggests that all member states might not be interested in reform as such. They may employ the momentum of enlargement to impose additional demands on the other current member states in order to improve their own position.

In this paper I argue that enlargement can also be understood as an opportunity to member states to bargain for 'new deals' in the Union, which stresses the importance of the internal dimension of enlargement. Following this line, I will argue that the requirement that the applicant countries should satisfy the Copenhagen criteria is a necessary and not a sufficient condition for entry. The other necessary condition is a renegotiation of the Treaties and some of the Union policies, which satisfies the current member states. This relates to an observation made by Preston (1997: 21), who suggests that '[e]xisting member states use the enlargement process to pursue their own interests and collectively to externalise internal problems.'

In contrast to my approach, most scholarly literature on European integration echoes the potential 'threats' of enlargement as presented by the Union's institutions. Especially analyses using voting power indices point to the problem that more member states will lead to an increase in the number of instances in which the Union cannot take a decision and remains indecisive. This problem can be most clearly noted when the member states have to decide by unanimity, which allows each Council member to veto the adoption of a proposed measure. An increase in the number of veto-players will lead to more instances of deadlock, which is reflected in the member states' voting power, that is, the member states' ability to adopt new policy measures. Using a non-normalized Banzhaf index, Lane and Maeland (2001) show that individ-

ual member states will lose voting power when the Union will be extended. Under unanimity rule, the scores for each member state drop from 61.0×10^{-6} for a Union of 15 to 1.9×10^{-6} for a Union of 20. In other words, moving to a Union of 20 members leads to a reduction of 97% in the member states' ability to affect the outcomes of decision making in the Council. A similar effect, although to a lesser extent, is reported for qualified majority voting. Comparable results have been presented by Hosli (1993), Widgrén (1994), Turnovec (1998), and Paterson and Silársky (1999). The main concern emerging from this literature is that a larger Council will dramatically reduce the extent to which member states are able to take positive action and to introduce new legislation.

To develop my argument I start with an analysis of voting in the Council and discuss the implications of a change from unanimity to qualified majority rule within the context of the current Union. Second, I compare these results with the effects of enlargement on decision making in the Union. Subsequently, I will discuss the effects of different distributions of preferences for the current and the future member states, and the possible involvement of the European Parliament in the decision making process. After discussing how enlargement and the reform of the Union's institutions as well as some of the Union's policies could be related, I conclude the paper with an assessment of the prospects for accession.

2. The nature of decision making: analytical framework

In order to capture the essence of EU decision making, I will employ two different game forms. These game forms reflect, in a rather simple and straightforward way, the dynamics of legislative decision making in the Union. In the first basic game form, the Commission proposes a new policy to the Council, which is set by either unanimity or qualified majority. The second game form includes the European Parliament. In this case, the Council's vote in favor of a new policy requires the approval by Parliament. Of course, this structure does not resemble the more complicated codecision procedure, but it reveals some of the basic properties of European Union decision making, which are important for a discussion of the effects of enlargement. The game trees for both basic policy games are presented in Diagram 1.

[Diagram 1 about here]

The next step is to focus on the preferences of the players. I assume that players have Euclidean preferences over policies, which maintain two distinct properties. First, each player has a most preferred policy position or ideal point in a one dimensional policy space. Second, a player's preference changes with distance in the sense that the greater the distance between a player's ideal point and some outcome, the smaller are the benefits or payoffs to this player, and the less preferred this outcome is. When the players know the *specific preferences* of the other players and the structure of the game, both sequential games can be solved using the equilibrium concept of subgame perfectness.

However, a complication arises when we realize that decision making procedures are used for a large number of different issues. Specifically, when we would like to assess the effects of enlargement on the decision making capabilities of the Union, it seems to be more reasonable to assume that players will be uncertain about the policy issues that may arise in the future. No one will be able to indicate what may happen in various policy areas covered by the Union in the next coming years. Players' preferences will not be fixed and may vary per issue. Furthermore, the state of affairs prior to the start of a decision making process—the *status quo*—may vary as well. I will call these two elements—players' preferences and the *status quo*—the *policy state* of a decision making process. An important insight from the formal analysis of political decision making is that the contents of an equilibrium policy, if one can be identified, strongly depends on the policy state (Romer and Rosenthal, 1978, 1979; Shepsle, 1979, 1989; Riker, 1980; Shepsle and Weingast, 1981; Ostrom, 1986). A minor change, either in players' preferences, or the *status quo* point, may have a substantial impact on the position of the equilibrium policy in the outcome space. Due to this sensitivity, the characteristics of procedures cannot be analyzed at the level of individual policies, but have to be assessed at a *systemic* or *constitutional* level.

For this purpose, I will use a distribution of policy states to represent the uncertainty in players' preferences and the *status quo*. Based on a distribution, a game can be solved for each of the policy states described by the distribution. Using these solutions, I am able to determine various key characteristics of

these game forms. First, the proportion of specific solutions that will be reached in equilibrium can be determined. These proportions provides us with a *probability* that some outcome may arise. Second, the role of individual players can be assessed by focusing on the *mean* distance between the equilibrium outcome and a player's ideal point. The mean distance provides us with an *expected value* about how well a player is doing in a specific context. By comparing these expected values for different game forms, for example, for decision making processes with 15 or 28 possible EU members, we are able to evaluate the consequences of enlargement to different players. The shorter the expected distance, the more beneficial a specific game form is to a player.

I have suggested an alternative power index for non-cooperative games as a way to compare the expected values for different games (see Steunenberg et al., 1999). This comparison is based on the introduction of an external observer who does not play a role in a game and therefore can be regarded as a 'powerless' player. The resulting index, which I propose, relates the expected values of both a player in a game and the external observer. The index—the so-called *strategic power index*—is restricted to the $[0,1]$ -interval. If an actor has a value of one, it can be regarded as a dictator, since the outcome of the game will always be similar to this actor's ideal point. If the index has a value of zero, the actor is similar to the observer and thus has no power at all. A second index, that is related to the strategic power index, measures the *status quo bias* of a game form. This bias is regarded as the extent to which players are unable to act and to pull a new policy away from the current state of affairs. The so-called *inertia index* relates the expected distance between the *status quo* and the equilibrium outcome to the value found for the external observer. A value of one for this index means that under some procedure the *status quo* always prevails. The smaller the value for the index, the more players are able to move the equilibrium policy away from the *status quo* and the more a procedure allows for 'flexibility'.

3. Voting in the Council of the European Union

The first step in my analysis is to focus on voting in the Council of the European Union (the 'Council of

Ministers'). For this purpose I start with the basic game between the Commission and the Council, in which the Council has to approve a new policy by unanimity or qualified majority. In this paper I focus on both voting rules as rules to decide on *policy issues*. This is also the main focus on the reform discussion in the European Union. The major concerns as expressed in the introduction refer to decision making in the Council of the European Union, which has to decide on the continuation or change of existing policies, or the introduction of new policies within the jurisdiction of the Union as set by the treaties.

A rather different issue concerns the appropriate decision rule for *constitutional* change, that is, the change in the rules for collective decision making in the Union, the Union's jurisdiction, or its power to tax. Here insights from constitutional economics and politics can be used, which departs from the notion that the choice of rules for collective decision making has to be based on the voluntary consent of the constituting individuals (see, for instance, Buchanan and Tullock, 1962; Brennan and Buchanan, 1980, 1985). Based on this notion, unanimity rule seems to be the only option for constitutional choice, that is, decision making on the rules for collective choice. Applied to the European Union, unanimity should serve as a rule for the member states' decision to decide on whether or not to transfer some of their sovereignty to the Union. For example, unanimity rule might apply to transfer new policy areas to the Union by including these areas in the treaties, to change the Union's decision making rules, to determine the Union's power to tax if the member states agree to grant the Union this right, or to admit new member states to the Union. However, within the context of a constitutionally grounded set of rules, decision making need not to be restricted to unanimity voting only.¹ Here, other decision making rules may apply, including simple majority rule, in order to reduce costs that result from indecision.²

¹ At this point, I disagree with Vaubel (2000), who argues against a further increase of qualified majority voting in the Union and in favor of unanimity voting. In his analysis, he does not clearly distinguish between constitutional matters (such as the jurisdiction of the Union, the Union's decision making rules, and taxation), for which unanimity rule should apply, and the making of common policy by the Council.

² See Mueller's analysis of the choice of an optimal majority, in which he identifies a simple majority as the optimal size (Mueller, 1989: 55-57). His analysis is an extension of Buchanan and Tullock's analysis in which the choice of an optimal majority is based on a trade-off between decision costs and the expected loss

Key characteristics of the basic policy game in which the Council decides by unanimity or qualified majority have been computed using simulations.³ In these simulations, the policy states, that is, the preferences of the Commission and the member states and the *status quo*-points, were drawn from a one-dimensional space following a uniform or normal distribution. Furthermore, distance is measured by simple Euclidean distance (see Enelow and Hinich, 1984: 15). The results are presented in Table 1.

[Table 1 about here]

As the scores in the table show, the change from unanimity rule to qualified majority voting has a substantial impact on the probability of choosing a new policy and the inertia index. This effect has been reported in various analyses using voting power indices (see, for instance, Hosli, 1993; Berg and Lane, 2001), and it forms the analytical basis of the fears expressed in the various policy documents mentioned in the Introduction. Using a uniform distribution, the inertia index drops from 0.97 to 0.54 when the member states decide to use qualified majority voting instead of unanimity voting. Similarly, the probability that the outcome of the decision making process remains the *status quo* drops from 90% to 51%. These results do not depend on the specific distribution of policy states. If we move to a normal distribution for which all players have the same modus, the result is the same: decision making in the Union allows for more change by introducing qualified majority voting.

[Table 2 about here]

The effects of more qualified majority voting to the *individual players* are summarized in Table 2. This

of utility from making a decision in which one or more individuals are opposed by a majority (Buchanan and Tullock, 1962: 111-116).

³ The sample size used in these simulations is based on the decision to estimate the expected distance for each player within an accuracy of at least ± 0.1 distance-units and to make use of a 99% confidence interval. In addition, if both the outcome and the ideal point of a player were randomly determined, the expected standard deviation would be 25 (with an expected mean of 50). Using the formula for a confidence interval (see Blalock, 1972: 213-215), the minimum sample size in that case is $\sqrt{N} = (2.58 \times 25)/0.1 = 645$, or $N = 416,025$. Smaller standard deviations, which can be associated with players that have some impact on the outcome of a game, imply a smaller minimum sample size. A sample of 10,000,000 observations, which is above the required minimum, is sufficiently large to get an accurate impression about the mean values. These values have been used to construct the index. Based on the precision used and the values for the expected distance, the index can be interpreted with an accuracy of at least three figures after the digit.

table contains the strategic power scores for each player under both voting rules. For a uniform distribution the power scores increase when players decide to use more qualified majority voting. This effect is most substantial for the *larger* member states, which will gain most. They will experience a change in their power scores from 0.007 for unanimity voting to 0.074 for qualified majority voting (an increase of about 950%). A similar, although less substantial change occurs if we use a normal distribution of policy states.

This *power increasing effect* of introducing qualified majority voting has also been noted by König and Bräuninger (1998), who indicate that voting rules differ with regard to the extent to which they allow for policy change. Berg and Lane (2001), and Lane and Maeland (2001), point out that rules differ with regard to their balance between what they call the ‘power to change’ and the ‘power to block’. While the ‘power to block’ might be beneficial to a specific player aiming to avoid changes in a preferred policy, the ‘power to change’ allows a majority of players to move a policy to one it prefers more. Unanimity rule maximizes a player’s ‘power to block’ since it allows any player to veto a proposal for change. However, this does not necessarily mean that players will favor this rule. Deciding on a large number of issues, players may prefer to allow for some change and thus may depart from unanimity rule since the average benefits of blocking might be lower than those of allowing for change. The simulation results indicate that this is indeed the case.

The analysis so far suggests that most of the problems associated with further enlargement already exist in the current Union. Inertia due to unanimity voting is already quite substantial. Furthermore, all current member states could on average benefit from introducing more qualified majority voting on policy issues, which is described as the *power increasing effect* of this change. However, the benefits of such a change are not evenly distributed over the member states. Especially the *larger member states* will benefit more than the smaller ones, which is a result of their higher voting weights. The existence of these benefits does not imply that member states will immediately agree to more qualified majority voting. When the member states know the policy issues at stake (such as asylum and immigration policy), and they know their preferences,

they might not be inclined to change these rules in the short run.⁴ In the long run, however, such a move might be beneficial. Let us turn now to the potential effects of enlargement.

4. Enlargement of the Union

Will the expected effects of deadlock indeed occur in an enlarged European Union? To analyze the effects of enlargement, I include in my analysis all countries that applied for EU membership and have a candidate status.

At the Luxembourg summit in December 1997, the member states decided to start negotiations with a first group of applicant countries based on the Commission Opinions in view of the well-known Copenhagen-criteria.⁵ This group consisted of Estonia, Hungary, Poland, Slovenia and the Czech Republic. Cyprus is also part of this group, since it already submitted its application for membership in 1990. Bulgaria, Latvia, Lithuania, Rumania and Slovakia experienced more difficulty in satisfying the Copenhagen conditions for membership of the Union. The member states decided to postpone negotiations with these countries to provide them with more time to introduce the necessary changes in their political, legal and economic system. Malta, which initially applied for membership in 1990 and froze its application when Malta's Labor Party came into power, re-joined the accession process in 1998. At the Helsinki summit in December 1999, the member states decided to start negotiations with the second group of countries as well. This decision marks a shift in the Union's accession policy away from an approach based on two or more 'waves' of entrants towards a more individualistic, or the so-called 'regatta' approach. At the same time, the member states agreed to grant Turkey, which already applied for membership in 1987, the candidacy status. However, the Union has not yet opened negotiations with Turkey. Based on the current negotiations, one expectation is that these various applicant countries may enter the Union individually, or perhaps in small groups of countries that are equally successful in satisfying the conditions for membership. To analyze the impact of enlargement on

⁴ See Steunenbergh and Dimitrova (1999), who point at this problem with regard to the negotiations on the Amsterdam Treaty.

⁵ See Nicolaidis and Boean (1997), for these criteria and the other requirements to applicant countries.

the Union's decision making capacities, I will not distinguish between the various and possibly subsequent enlargements, since it is less clear when these countries will become a full member of the Union. I therefore take the group of 13 applicant countries as a whole.

The simulations based on the Commission-Council game are now repeated for a larger European Union of 28 members, which includes all 13 applicant countries. The results for unanimity and qualified majority voting in the basic Commission-Council game are presented in Table 3.

[Table 3 about here]

As the table indicates, enlargement may have some effect on the possibility of choosing a new policy. On average, it will become slightly more difficult to agree on a new policy. Under unanimity rule, this ability—that is, the probability of choosing a new policy—decreases from 10% to 5%. This finding is in line with the intuition expressed in the various EU policy documents and the results revealed by earlier voting power analyses. For qualified majority voting, however, this effect is hardly noticeable. Moving to an enlarged European Union with 28 members, the ability to set a new policy decreases with less than 1% (which is a change of about 2%). This property of qualified majority voting, which suggest a substantial robustness to enlargement, will be called its *enlargement resistant property*. Finally, and focusing on the inertia index, enlargement will hardly affect the magnitude of policy change. The expected distance between the *status quo* and the equilibrium outcome, as expressed by this index, only slightly increases, allowing for an incremental decrease of change. In terms of policy change, the differences between the current (EU-15) and a larger European Union (EU-28) are thus very modest. The effect on the possibility of policy change as a result of a change in the Council's voting rule is much more substantial than the effect of enlargement.

[Table 4 about here]

A different effect occurs when we focus on the scores for the *individual member states* based on the strategic power index. These values, before and after enlargement, are presented in Table 4. Under unanimity rule, and assuming a uniform distribution, these scores are 0.007 for all member states in the current Union and 0.002 after enlargement. In other words, as a result of enlargement current members will experi-

ence a drop in their power of about 70%. For qualified majority voting a similar effect occurs, although of a smaller magnitude. The current member states will face a decrease in their power between 31% and 35%. Moreover, the *larger* member states will experience a more substantial decrease in their power than the smaller ones. This could be the reason why the larger member states are insisting on a re-weighting of their vote shares for Council decision making.

5. Enlargement and the preferences of the member states

Another question concerns the distribution of policy states. The results presented so far are based on the uniformity assumption, which assigns an equal probability to the occurrence of any possible ordering of preferences and a *status quo* point. This means that preference configurations in which the political actors hold rather extreme and divergent preferences are regarded as equally likely as configurations in which actors have preferences that are more similar and ‘centrally’ located. However, if the preferences of the member states become more alike over the years, a uniform distribution may not represent their preferences correctly. Similarly, the current negotiations with the applicant countries and their reforms of their political system and their national policies in order to prepare for EU membership, may lead to some convergence in preferences so that a difference between the ‘old’ and the ‘new’ members becomes less distinct.

[Table 5 about here]

In order to reflect more homogenous preferences between the various member states, a normal distribution of policy states has been used, in which all players have the same modus. Under a normal distribution, the preferences of the member states still vary, but the differences between these preferences are smaller than for a uniform distribution. The results are presented in Table 5. Compared to the results for a uniform distribution, which are reported in Table 3, the ability to set a new policy increases under a normal distribution. Having heterogeneous preferences, the current member states will not be able to change unanimously the *status quo* in 90% of the cases, while this proportion drops to 41% for more homogeneous preferences based on a normal distribution. A similar effect occurs for qualified majority voting: the probability of

maintaining the *status quo* is 51% for heterogeneous preferences and only 17% for homogeneous preferences.

Moving to an enlarged European Union in which the member states have more homogeneous preferences—that is, preferences that follow a normal distribution—the problem of ‘inflexibility’ only marginally changes when unanimity rule is used. The probability of selecting a new policy slightly decreases from 58% for the current Union to 52% for an enlarged Union—a change of about 10%.

For qualified majority voting, however, enlargement does not have an impact on these probabilities. In both instances, the probability of selecting a new policy is about 83%, while the probability of maintaining the *status quo* is only 17%. In other words, if the preferences of the current as well as the new member states follow a normal distribution with the same modus, *enlargement does not have any effect on the ability to select new policies*. This is again an expressing of the *enlargement resistant* property of this rule. At the same time, and compared to a uniform distribution (see Table 3), the ability to set new policies increases under a normal distribution (from 48% for a uniform distribution to 83% for a normal distribution), suggesting that preference homogeneity has an important impact on the Union’s decision making capacity.

6. Enlargement and involvement by the European Parliament

The game form analyzed so far has been the Commission-Council game without involvement by the European Parliament. In many areas the European Parliament plays a role in the making of EU policies as part of the assent and the codecision procedure.⁶ These procedures grant the Parliament formal decision making power, so that no new policy can be made without its explicit approval. The basic dynamics of decision making with a role of Parliament is reflected in the Commission-Council-Parliament game, in which Parliament has to approve a policy selected by the Council upon a proposal of the Commission. Here I assume that Council decisions have to be taken by a qualified majority, which is the case for most instances in which

⁶ A third well-known legislative procedure with parliamentary involvement was the cooperation procedure, which applied to several treaty articles until the Amsterdam summit (1997). After the coming into force of

Parliament plays a role. The question is whether the involvement of Parliament affects my findings based on the simple Commission-Council game.

[Table 6 about here]

Table 6 presents the results of this game with Parliament both for the current Union as well as a Union after enlargement. These results allow for two general observations. The first observation concerns the impact of parliamentary involvement. Compared to the third and fourth column in Table 1, which presents the results for the Commission-Council game under qualified majority voting, parliamentary involvement reduces the probability of selecting a new policy (49% in the Commission-Council game to 41% in the extended game under a uniform distribution and for the current Union). This reduction is a consequence of the fact that Parliament, as an additional player, may also decide to block policy change leading to more cases of deadlock.

The second observation concerns the effect of enlargement. For both a uniform distribution of policy states, which has been associated with heterogeneous preferences, and a normal distribution, which may reflect more homogeneous preferences between the member states, enlargement does not seem to have a substantial impact on a decision making process in which Parliament plays a role. Enlargement *does not* affect the probabilities of setting a new policy in this game. These probabilities remain 41% or 80%, depending on the distribution that is used, after enlargement. The robustness of the results is mainly due to the *enlargement resistant* property of qualified majority voting. Since Council decisions in the current game are based on this rule, it affects the overall result.

7. Enlargement as momentum for institutional change

Based on the simulations, I draw the following conclusions concerning the impact of enlargement on the Union decision making capacities.

the Amsterdam Treaty (1999), the significance of the cooperation procedure is reduced to only a few articles (Articles 99(5), 102(2), 103(2) and 106(2) EU) dealing with EMU and the introduction of the Euro.

First, and with regard to the ‘flexibility’ of the Union’s decision making process, enlargement will marginally reduce the possibility to set a new policy under unanimity rule. However, if the member states decide by qualified majority, enlargement has no notable impact on the Union’s decision making capacity. This finding has been called *the enlargement resistant property* of qualified majority rule.

Second, the Union’s decision making capacities critically depend on the voting rule that is used and the extent to which the preferences of the member states differ. This holds for the current Union as well as an enlarged Union, and it is *not necessarily* related to enlargement. In the context of the current Union, a decision to introduce more qualified majority voting would substantially increase the Union’s ‘flexibility’ in the sense of allowing for more policy change. Similarly, more homogeneous preferences would allow for more change, since the probability decreases that one or more member states will block the making of a new policy. If we assume that the preferences of the current member states and the applicant countries are more alike, that is, can be described by a normal distribution, enlargement will not have any effect on the ability to select new policies under qualified majority rule.

Finally, and concerning the position of *individual member states*, enlargement will reduce the power of the current member states in the Council. If decisions are taken by qualified majority, this loss will be larger to the *larger member states* such as Germany, France, Italy and the United Kingdom. This effect has been called the *power reducing effect of enlargement*. In contrast, an institutional reform by introducing qualified majority voting in areas where unanimity rules applies, will lead to a *power increasing effect* to the current member states. If both processes are combined, that is, the Union moves to more qualified majority voting in an enlarged Union, the net-effect will be that the member states will gain in power.⁷

These findings shed a different light on the reform proposals discussed during the current intergovernmental conference. Some of these reforms aim to limit the number of posts assigned to each member state, and propose a re-distribution of posts between member states. This concerns the total number of members of the Commission, the total number of MEPs, and the total number of judges in the European Court of Justice.

The number of MEPs and judges has not received as much political attention and seems to be a rather straightforward matter. More conflictual and politically important is the re-distribution of the number of Commissioners. Here the solution seems to be that the larger member states give up their right to fill two posts and have only one Commissioner per country. However, this issue has been linked by the larger member states to the voting rule for Council decisions in order to increase their power in deciding on Commission proposals.

The more politically significant reform proposals concern the introduction of qualified majority voting in policy areas where unanimity rule applies, and the introduction of double majority voting, which aims to supplement a simple or special majority of member states⁸ with a majority criterion based on the total population of the Union. As indicated before, the introduction of more qualified majority voting can be regarded as a solution to ‘inflexibility’, or the inability to change existing policies in the current Union. As the analysis in this paper shows, all member states could on average benefit from a more frequent application of this rule. This *power increasing effect* of qualified majority voting leads to the setting of policies that are, on average, closer to the member states’ ideal points. Moreover, this effect especially applies to the larger member states, which will benefit most from the introduction of this rule and may therefore be most inclined to push for this change.

More qualified majority voting and thus more ‘flexibility’ has an additional advantage to the current member states. It allows them to further shape the existing policies *before* further enlargement will take place, which may make policy change *after* enlargement more difficult. I will come back to this option in the next section.

A second characteristic of qualified majority voting is that it appears to be *enlargement insensitive*, that is, the Union’s decision making capacity will not change after enlargement. This effect suggests that ‘inflexibility’ and ‘enlargement’ are two different and analytically distinct phenomena, which are only related

⁷ Compare the first and the last column in Table 4.

⁸ See Article 205(2) EU.

through unanimity voting. However, since unanimity voting already substantially reduces the ‘flexibility’ of the current Union, as I have shown, it needs to be addressed in the current round of institutional change regardless of whether enlargement is on the agenda or not.

To the *individual* member states, however, enlargement will lead to a loss of their power. Combined with a reduction of the number of Commissioners from two to only one, especially the larger member states will experience this problem. Furthermore, as Lane and Maeland (2001) have noted, the current assignment of voting weights are to the benefit of the smaller member states. The loss of decision making power is an incentive to call for compensatory measures. Here, enlargement provides a *momentum* for institutional change in the sense that both issues are clearly linked. Since the larger member states have indicated their determination to re-weigh the votes, this will be a major factor in the timing of the enlargement process. If agreement is not reached, like at the Amsterdam summit, enlargement is most likely to be postponed.

Current proposals to introduce double majority voting to Council decision making suggest that reform is on its way. If this new rule is passed, proposals can only be approved if they are supported by a simple or a special majority of Council members and a group of countries that represents a majority of the Union’s population (see Commission, 2000: 31). It will shift power from the smaller to the larger member states. As an additional consequence, this reform would preserve the decision making power of the larger current member states—Germany, France, Italy, and the United Kingdom—in an enlarged European Union. Most applicant countries, with the exceptions of Turkey and Poland, are relatively small, and will face a reduction of their power compared the current assignment of voting weights. This change of the Union’s decision making rules is in line with a claim of Moe (1990), who argues that where uncertainty exists, political actors are expected to design institutions that will best protect their current interests. In the case on European Union, the introduction of double majority voting serves this purpose by reducing the political uncertainty of the larger member states.

8. Enlargement as momentum for policy change

Besides a momentum for institutional change, as discussed in the previous section, enlargement could also serve as a momentum for policy change. In order to agree to enlargement, some member states may demand a specific change of some of the Union's policies. Two important examples could be mentioned at this point. The first concerns the demand to reform the Common Agricultural Policy (CAP), which experiences several structural—and particularly financial—problems. These problems became already apparent at earlier enlargements, as Preston (1997: 20) indicates, but no solution was yet found. Especially the net-contributors to the Union, which includes Germany, may prefer to reduce the financial burden of CAP by reducing support prices. The second example concerns the contributions by the member states to the Union's financial framework. Several member states have demanded a reduction of their share in the total contribution to the Union. Both policy issues were presented in one and the same package with the Commission Opinions on the applicant states at the Berlin summit of March 1999. As Dimitrova (2000: 13) indicates, this reinforced 'the impression that reforms had to happen for the sake of enlargement'. Linked in this way, CAP reforms and member states' contributions were made conditional to a further discussion on enlargement. At the summit, the member states succeed to reach agreement on CAP by cutting the support prices for grain, beef and dairy, and on the financial contributions by reducing the financing shares of Austria, Germany, the Netherlands, and Sweden.⁹

In addition to policy claims of individual members, all current members may have an incentive to adapt some of the Union's policies before enlargement, so that these policies could better secure their interests in the near future. This process of re-negotiating existing policies can be reinforced by two mechanisms. First, there may exist a 'shadow of enlargement' in the sense that the current member states may feel that agreement might be more problematic after enlargement, increasing the prospects of settling on an issue before enlargement takes place. This will facilitate the re-negotiations on existing policies. Second, institutional re-

⁹ See the *Presidency Conclusions* of the Berlin European Council, 24 and 25 March 1999 (DOC 100/1/99 rev).

form, which is the parallel development taking place within the Union, could also facilitate agreement. If the member states agree to more ‘flexibility’ by introducing more qualified majority voting, it would allow them to further shape the existing policies *before* further enlargement will take place, which may make policy change *after* enlargement more difficult.

How could the member states secure their interests? To answer this question, I will analyze whether a change of the current policy to a point much closer to the preferences of all member states makes a difference in terms of ‘flexibility’. For this purpose I use the Pareto-set, that is, the area between the most extreme Council members, as a measure of centrality. Based on this, I distinguish between two different cases: one case in which the current policy or *status quo* is randomly distributed over the policy space following a uniform distribution, and another case in which the *status quo* is restricted to the Pareto-set determined by the preferences of the current member states. The results are presented in Table 7.

[Table 7 about here]

The results reported in the table indicate that the member states could secure some of their interest by shifting existing policies to the ‘center’ of their preferences. A change of the location of the current policy to the Pareto-set reduces the probability of changing this policy from 49% to 43% for the current group of member states. After enlargement this probability further reduces to 42%.¹⁰ If the current member states decide not to act, policies could be more easily changed after enlargement. The probability of policy change would then be about 48% and not 42%.

Based on these results, the current member states have an incentive to change some of their common policies before enlargement. At the same time, and like the re-weighting of votes in the Council, this process forms a factor in the timing of new entry of member states. If some of the current member states feel that some of the ‘new deals’ do not sufficiently satisfy their demands, it may delay the enlargement process.

¹⁰ Note that the results in the Table 7 are based on qualified majority voting. If the current and future member states would use unanimity rule, the described effect will be reinforced making policy change before enlargement even more attractive.

9. Conclusions

In this paper I analyzed how the processes of enlargement and institutional reform in the European Union are connected. Although the ‘official’ belief is that enlargement requires reform, this relationship between both processes is not obvious.

A first result based on the analysis in this paper is that problems of ‘inflexibility’ due to unanimity voting is not typical for an enlarged European Union and already leads to substantial deadlock in the current Union. Furthermore, the probability that an enlarged Union of 28 member states will not be able to act, is expected to increase only marginally under unanimity rule (less than 6%). In this respect, enlargement and the problems of unanimity voting seem to be hardly related. The question whether the Union should move to more qualified majority voting needs to be addressed in the current round of institutional change regardless of whether enlargement is on the agenda or not.

A second, and related result is, that the Union’s ‘flexibility’ will not be affected by enlargement if decisions were taken by majority rule. This has been labeled the *enlargement resistant effect* of qualified majority voting. At the same time, enlargement is expected to *decrease* the power of the individual members, especially of the larger member states under qualified majority voting. This could be the reason why the larger member states insist on a re-weighting of vote shares for Council decision making as part of reform. Here, enlargement and institutional reform are closely related.

Finally, the Union’s decision making capacities critically depend on the extent to which the preferences of the member states differ. This holds for the current Union as well as an enlarged Union and is therefore *not necessarily* related to the enlargement process.¹¹ In the context of the current Union, more homogeneous preferences would allow for more change, since the probability decreases that one or more member states will block the making of a new policy. Furthermore, my analysis shows that enlargement will *not* have an

¹¹ Some critics suggest that enlargement would lead to substantial differences in policy preferences between applicant countries and the current member states. However, this view rests on the crucial assumption that (the distribution of) these policy preferences are indeed very different, which has not been shown em-

effect on the ability to select new policies under qualified majority rule, if the preferences of the current and the future member states are, or will become, more alike.

At the same time, I indicated that incentives exist to link the process of enlargement with specific policy demands. In this results, enlargement could not only serve as a momentum for institutional reform, it also provides current member states with the opportunity to re-open existing policy deals and to bargain for a more advantageous outcome. Especially the ‘shadow of enlargement’ and the increased ‘flexibility’ due to the introduction of more qualified majority voting could fuel this process.

Based on these insights, the process of enlargement appears to be stuck between external and internal pressures, both affecting the timing of entry of new member states. The external pressures consists of a successful transformation on the side of the applicant countries of their political, economic and legal system in view of the *acquis communautaire*. This process requires substantial political efforts in the applicant countries, which need to be recognized and rewarded by the Union. The speed of these domestic reforms and the demands imposed by the Commission on the applicant countries as part of the accession negotiations determine the prospects of entry. The internal pressures consists of the reforms linked to the process of enlargement, which take place within the current Union. Here, reforms concerning the re-weighting of votes in the Council and demands for specific policy changes¹² are also major factors in the timing of the enlargement process.

The enlargement of the Union and the possible entry of the applicant countries is not only a matter of implementing domestic reforms, which satisfy the Copenhagen-criteria. It also depends on the Union’s internal dimension, that is, agreement between the current member states on current policies and reforms, which can be regarded as another necessary condition to enlargement. This implies that the time path of enlargement is also based on this dimension. Furthermore, if some of the desired changes are not adopted, one

pirically. At the same time, empirical research shows that the policy preferences of the current member states are rather different (see Mattila and Lane, 2000).

or member states may block further enlargement. In other words, the willingness to accept new members could be made fully dependent on issues that are not related to enlargement. For this reason, enlargement could be best understood as a mix of internal and external pressures, each based its own, political logic.

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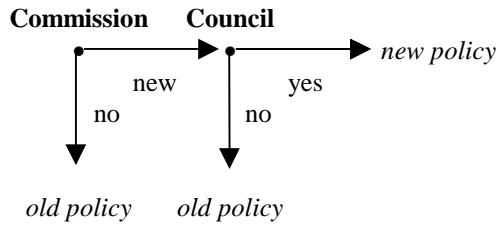
¹² Dissatisfied with its current 'isolated' position in the Union, Austria has threatened to block further enlargement. This could serve as another example of how demands of current member states can be linked to the enlargement process.

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Diagram 1. The game trees for both legislative game forms

A. Commission-Council game



B. Commission-Council-Parliament game

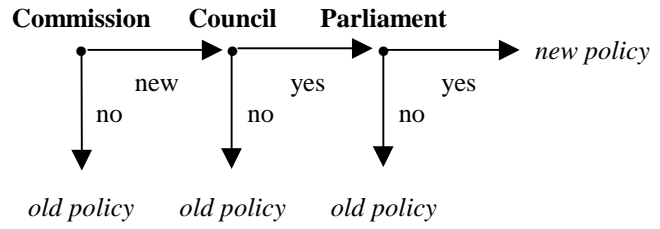


Table 1. Comparative analysis of Council voting rules: probabilities for the Commission-Council game.

voting rule: <i>distribution of policy states:</i>	unanimity		QMV	
	<i>uniform</i>	<i>normal</i>	<i>uniform</i>	<i>normal</i>
policy choice:				
• current policy (<i>status quo</i>)	90%	41%	51%	17%
• new policy	10%	59%	49%	83%
inertia index	0.97	0.39	0.54	0.08

Table 2. Expected benefits of different voting rules in the Council: the strategic power index for the Commission-Council game.*

voting rule: <i>distribution of policy states:</i>	unanimity		QMV	
	<i>uniform</i>	<i>normal</i>	<i>uniform</i>	<i>normal</i>
value for:				
- Council**				
• Germany, France, Italy, UK (10)	0.007	0.024	0.074	0.026
• Spain (8)	0.007	0.024	0.060	0.022
• Belgium, Greece, Netherlands, Portugal (5)	0.007	0.024	0.036	0.012
• Austria, Sweden (4)	0.007	0.024	0.029	0.010
• Denmark, Finland, Ireland (3)	0.007	0.024	0.023	0.007
• Luxembourg (2)	0.007	0.024	0.013	0.004
- Parliament	0	0	0	0
- Commission	0.011	0.252	0.299	0.754

* The power scores are based on mean distances between the equilibrium policy and the player's ideal point. These distances are based on simulations that estimate the expected value for each player within an accuracy of at least ± 0.01 distance-unit, and to make use of a 99% confidence interval. Based on a difference of means test (Blalock, 1972: 226-228), the computed mean values differ significantly within and between the columns at a 1% level of significance.

** Vote weights for the different member states between parentheses.

**Table 3. Comparative analysis of Council voting rules:
probabilities for the Commission-Council game under a uniform distribution.**

voting rule: <i>size of the EUs:</i>	unanimity		QMV	
	<i>EU-15</i>	<i>EU-28</i>	<i>EU-15</i>	<i>EU-28</i>
policy choice:				
• current policy (<i>status quo</i>)	90%	95%	51%	52%
• new policy	10%	5%	49%	48%
inertia index	0.97	0.99	0.54	0.57

**Table 4. Expected benefits of different voting rules in the Council:
the strategic power index for the Commission-Council game under a uniform distribution.**

voting rule: <i>size of the EU:</i>	unanimity		QMV	
	<i>EU-15</i>	<i>EU-28</i>	<i>EU-15</i>	<i>EU-28</i>
value for:				
- Council*				
• Germany, France, Italy, UK (10)	0.007	0.002	0.074	0.048
• Spain (8)	0.007	0.002	0.060	0.038
• Belgium, Greece, Netherlands, Portugal (5)	0.007	0.002	0.036	0.024
• Austria, Sweden (4)	0.007	0.002	0.029	0.019
• Denmark, Finland, Ireland (3)	0.007	0.002	0.023	0.014
• Luxembourg (2)	0.007	0.002	0.013	0.009
- extended Council*				
• Turkey (10)	0	0.002	0	0.048
• Poland (8)	0	0.002	0	0.038
• Romania (6)	0	0.002	0	0.029
• Czech Republic, Hungary (5)	0	0.002	0	0.023
• Bulgaria (4)	0	0.002	0	0.019
• Estonia, Latvia, Lithuania, Slovakia, Slovenia (3)	0	0.002	0	0.014
• Cyprus, Malta (2)	0	0.002	0	0.009
- Parliament	0	0.	0	0
- Commission	0.011	0.002	0.299	0.263

* Vote weights for the different member states between parentheses. The weights for the applicant countries are based on Commission information (see Commission, 2000: 63).

Table 5. Comparative analysis of Council voting rules under preference convergence: probabilities for the Commission-Council game under a normal distribution.

voting rule: <i>size of the EU:</i>	unanimity		QMV	
	<i>EU-15</i>	<i>EU-28</i>	<i>EU-15</i>	<i>EU-28</i>
policy choice:				
• current policy (<i>status quo</i>)	41%	48%	17%	17%
• new policy	58%	52%	83%	83%

Table 6. Comparative analysis of procedures with Parliament's involvement: probabilities for different distributions

distribution of policy states: <i>size of the EU:</i>	uniform		normal	
	<i>EU-15</i>	<i>EU-28</i>	<i>EU-15</i>	<i>EU-28</i>
policy choice:				
• current policy (<i>status quo</i>)	59%	59%	20%	20%
• new policy	41%	41%	80%	80%

Table 7. Comparative analysis for the location of the current policy under QMV (uniform)

location of the <i>status quo</i> : <i>size of the EU:</i>	in whole space		in Pareto set of EU15	
	<i>EU-15</i>	<i>EU-28</i>	<i>EU-15</i>	<i>EU-28</i>
policy choice:				
• current policy (<i>status quo</i>)	51%	52%	57%	58%
• new policy	49%	48%	43%	42%