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Breaking the Camel's Back? Eastern Enlargement and EU Governance

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Abstract:

The latest enlargement of the European Union (EU) is often presented as a caesura in the history of European integration. Whereas other parts of the literature focus on the reasons of enlargement and on the consequences of enlargement for the new member states – i.e. the Europeanization of the CEEs – this paper investigates the impact of enlargement on the functioning of the EU's political system. How does enlargement affect decision-making in the EU? Does it slow down the legislative production and has gridlock increased in the enlarged EU? After developing a set of hypotheses on the consequences of enlargement based on rationalist and constructivist theory, respectively, I present first empirical findings on the Council's total legislative output. I find that the Council's legislative production has significantly diminished after 2004. In order to get a better grip on the mechanisms of decision-making after the enlargement the quantitative analysis is complemented by a qualitative case study on the Agenda 2007. Amongst other things, the analysis of the negotiations of the EU's financial framework underlines the importance of formal as well as of informal institutions for European governance after the enlargement.

1. Introduction*

On the 1st of May 2004 ten new member states joined the European Union (EU). The former community of six had thus grown to a club of 25. In the year 2007 two additional countries, Romania and Bulgaria will most presumably join the EU. Without any doubt enlargement highlights that European integration can be considered a success story. At the same time, it sets clear challenges for European governance. This paper will analyze the effects of Eastern enlargement on decision-making in the EU. In particular, it asks: what is the impact of enlargement on the EU's legislative production? How does it affect the EU's capacity to act? Previous research was restricted to the simulation of the effects of enlargement (cf. Dobbins *et al.* 2004; König and Bräuninger 2004; Zimmer *et al.* 2005). Now, two years after the accession of the new member states we can get a clearer picture of the actual effects of enlargement.

As to the theory, I will present rationalist as well as constructivist approaches to EU decision-making. There is, in fact, an ongoing dispute on how European decision-making should best be understood (cf. Lewis 2003; Heisenberg 2005). Based on such different accounts of policy-making I will formulate hypotheses that, interestingly, point into a similar direction: both approaches expect a deterioration of the EU's decision-making capacity after enlargement. At the same time, these approaches underline different mechanisms that explain the presumed effect of slowing down the production of legislation. Whereas rationalist approaches highlight an increase of preference heterogeneity, constructivist accounts stress the increasingly different backgrounds of decision-makers. From a constructivist perspective one should expect the heterogeneity of rules and norms to grow after enlargement. Therefore, from a rationalist as well as from a constructivist perspective enlargement should render decision-making in the EU more difficult.

After presenting the theory I will restrict my analysis to comparing the legislative output before and after the enlargement. In addition, I will present an in-depth case study of the Agenda 2007. For the quantitative assessment of the effects of enlargement I have

* Thanks go to Thomas Sattler, Frank Schimmelfennig, Guido Schwellnus, Nils Weidmann as well as to the Secretariat General of the Council of the European Union which provided data on the legislative years 2004 and 2005. A previous version of this paper was presented at the conference on the consequences of enlargement held at Wissenschaftszentrum Berlin in March 2006.

constructed a data set that compiles the Council's legislative output. Total legislative output seems a good measure to assess the impact of enlargement. Output is an important function of governance and it is often referred to in the context of legitimacy in the EU.¹ From a methodological perspective comparing the total outputs reduces the risks of possible biases. Similarly, in American politics the legislative output has been used as an appropriate measure to assess the impact of divided government (cf. Mayhew 1991; Howell et al. 2001). My analysis shows that the Council's legislative production has, indeed, decreased significantly after enlargement.

At this moment, I still lack a clearer picture of the mechanism of why this reduction occurs. In order to take a closer look at these mechanisms I therefore round up the quantitative analysis by a case study of the negotiations on the multi-annual budgetary framework 2007-2013, the so-called Agenda 2007.² This seems a particularly well suited case for an investigation on the effects of enlargement (cf. Hayes-Renshaw *et al.* 2006). Budgetary decisions generally are great moments of governance. Allocative as well as redistributive questions arise. The decision rule is unanimity and substantial differences of preferences can be assumed. The Agenda 2007 should therefore be particularly prone to gridlock. In my case study, I distinguish preferences, processes and negotiations outcomes. I can show that enlargement has contributed to prolong the duration of these negotiations as compared to previous financial frameworks. At the same time, the process-tracing highlights that gridlock was prevented with the help of formal as well as informal institutions.

2. Theories of EU Decision-Making after the Enlargement

If we abstract enlargement in terms of its effects on decision-making it first of all represents an increase in group-size.³ My research question thus is factor- or X-centered (cf. Ganghof 2005). I analyse how group size affects decision-making. The dependent

¹ For a critical assessment of the concept of output legitimacy compare Schäfer (2006).

² Lieberman (2005) shows that such nested analysis can contribute to unveiling mechanisms that are sometimes missed out in quantitative analysis.

³ The question of how "group size" impacts on decision-making has been addressed by various disciplines. For example, Hoffman and Spitzer (1986) experimentally analyze the effects of group size on the joint-profit maximization of Coase-type bargaining situations. They find, that "larger bargaining groups [are] more likely to choose the joint-profit maximum than small groups" (Hoffman and Spitzer 1986, 156). But also in zoology group size can be an important variable (cf. McCloud 1997).

variable can be “qualitative output” of the legislative process – at the same time, this variable is hard to operationalize and will therefore be neglected in the following – but also “quantity of output” (cf. Mayhew 1991; Dobbins et al. 2004, 56ff.) and “efficiency” in terms of the duration the legislative process (cf. Schulz and König 2000, 654).

The literature on decision-making in the European Union can broadly be divided into two approaches. On the one hand a rationalist approach highlights the importance of formal rules, bargaining power and preferences of the actors (cf. Plott 1991). On the other hand constructivist accounts of decision-making in the EU stress other factors such as informal rules, norms, trust, common frames of reference and personal relations (cf. Lewis 2003; Heisenberg 2004; Heritier 2002). In general, rationalism and constructivism differ on actor motivational grounds – whereas rationalists assume that people act in terms of a logic of consequentiality constructivism assumes a logic of appropriateness (cf. March and Olsen 1989) – and on the stability of preferences – whereas rationalists take preferences as exogenously given in a constructivist perspective preferences emerge from social interaction and therefore are likely to change over time. What predictions do the two approaches generate in terms of the consequences of enlargement? What effects do rationalist and constructivist accounts expect to result from enlargement and what are the mechanisms of change that these two approaches underline?

2.1 The Consequences of Enlargement from a Rational Institutional Perspective

There are different rationalist theories that address the question of decision-making in the context of enlargement. Club theory, for example, assumes that the EU should be considered a utility-maximizing club of rational states (cf. Buchanan 1965; Sandler und Tschirhart 1980). The members produce public goods that are to be distributed amongst themselves (cf. Padoan 1997; Mueller 2003: 183; Schimmelfennig 2003, 21ff.). In a club, however, crowding cost can emerge when the production of such public goods does not keep in track with their consumption by the growing number of members. In the EU enlargement could equally lead to problems of redistribution, for example, of structural and cohesion funds (cf. Kohler-Koch et al. 2004, 309f.; Schimmelfennig und Sedelmeier 2002: 511).

Spatial theories of European decision-making also expect Eastern enlargement to have a negative impact on the EU's legislative production. Because of the structural differences between the old and the new member states it can plausibly be assumed that they hold different preferences (cf. Baldwin *et al.* 1997; Kerremans 1998; Dobbins *et al.* 2004; König and Bräuninger 2004, 426; Zimmer *et al.* 2005).⁴ A growing heterogeneity of preferences reduces the size of the win-sets, i.e. the solutions that can beat the status quo, or it increases the size of the core, i.e. the "set of all alternatives that cannot be defeated by a majority of the votes" (König and Bräuninger 2004, 428; cf. Wilming 1995, 97; Tsebelis 2002, 30).⁵ Therefore enlargement should increase policy-stability (cf. Tsebelis 2002). This literature thus predicts that less legislation should be produced in an enlarged union. Enlargement therefore increases the probability of gridlock and reforming the EU becomes more difficult (cf. also Sandler *et al.* 1978: 69; Nye 1971, 105f.). In a similar vein, Pappi und Henning (2003, 313) find that the efficiency of EU decision-making is likely to decline.

Finally, rationalist accounts stress that enlargement can lead to an increase of "bargaining complexity" (cf. Zimmer *et al.* 2005, 418) and transaction costs (cf. Scharpf 2000, 198; Schimmelfennig und Sedelmeier 2002, 510). The coordination of interests becomes more difficult and free-riding is likely to increase (cf. Olson 1965; Koremenos *et al.* 2001: 783; Mueller 2003, 41).

To sum up, rational institutionalist accounts stress that Eastern enlargement should make decision-making in the EU more difficult. Given that an institutional change does not counterbalance this effect we can formulate the hypothesis that from a rationalist perspective legislative production is likely to decline after Eastern enlargement.

2.2 The Consequences of Enlargement from a Constructivist Perspective

Constructivism or sociological institutionalism differs from rationalism in its social ontological and actor motivational assumptions. It does not offer a classic methodology of decision-making and its predictions as to the consequences of enlargement are less

⁴ Tsebelis and Yataganas (2002, 305) expect that enlargement will also increase the heterogeneity of the members of the European Parliament what will "make decision-making inside the European Parliament more difficult".

⁵ Drüner *et al.* (2006) compare the advantages and disadvantages of the win-set and the core, respectively.

precise as compared to rational institutionalism. Analysts with a constructivist background have focussed on alternative mechanism of decision-making in the EU. For example, Heisenberg (2005) investigates the question of why the EU comes up with so many decisions in consensus. She presents a range of explanations that differ from rationalist accounts.⁶ Generally, constructivists stress the importance of norms, informal practices but also communicative elements that help overcome decisional impasses (cf. Lewis 2003). In a logic of “arguing” (Risse 2000) negotiators can change their initial points of view when their partners manage to persuade them. The success of arguing, however, should depend on specific conditions. It can thus be expected that arguing is rendered more difficult when the size of groups increases (cf. Schimmelfennig und Leuffen 2004: 5). Smaller groups with a higher degree of interaction should stronger stimulate processes of deliberation and normative rapprochements (cf. Checkel 2001; Joerges und Neyer 1997).

From a constructivist perspective one could imagine that the heterogeneity of norms has increased after enlargement – that would correspond to the rationalist heterogeneity of preferences. The new member states have very different historical backgrounds and therefore we can assume that their frames of references should at least partially differ from the elder member states. Socialisation into the EU’s informal structures and norms should, in addition, be considered a medium-term process (cf. Leuffen and Luitwieler 2006). We should expect a time lag before the new member states have “learned the rules of the game” or new rules have been established. Therefore constructivists should equally expect more conflict in the enlarged Union. Acculturation should thus take time, trust and “good chemistry” between the actors first need to be established. For example, Heisenberg (2005, 69) finds that “the lack of acculturation to the norms of consensus may be the largest problem of the current enlargement of the EU by 10 new members.” At the same time, it should be stressed, that a certain resonance of the EU’s norms are not alien to the new member states. In fact, adherence to liberal democratic norms was a condition for joining the EU (cf. Schimmelfennig 2003). Therefore the selection of candidates should have facilitated their integration into the informal decision-making practices of the EU. Nevertheless, given the challenges

⁶ Hertz (2006) puts a question mark behind the usual consensus assumptions after enlargement.

described above, constructivists should similarly expect the legislative output to decline after enlargement.

2.3 Why Should the Enlargement Matter?

The rationalist as well as the constructivist accounts both come up with rather pessimistic views on the governance capacities after enlargement. However, they stress different mechanisms of decision-making (cf. figures 1 & 2).

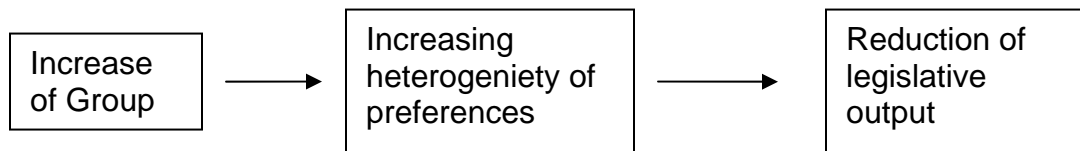


Figure 1: Effects of increasing group size in a rationalist perspective.

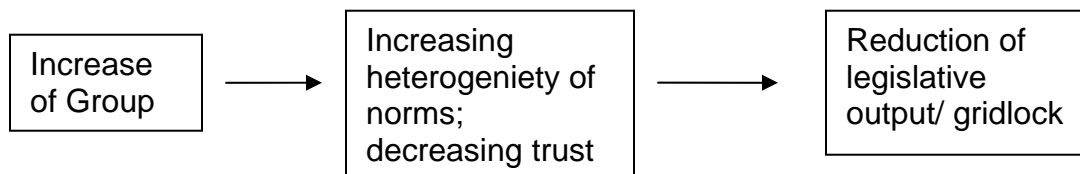


Figure 2: Effects of increasing group size in a constructivist perspective.

Whereas rationalists should expect a return to the *status quo ante* only in case of a convergence of social development and the preferences of the member states (*ceteris paribus*), the constructivist accounts could conceive of a possibly shorter period of learning and acculturation. For the time being, however, their predictions agree: enlargement should hinder decision-making in the European Union. The legislative output should decrease after 2004.

3. Operationalisation and Data

Legislative production is a common indicator of governance capacity. For example, it has also been employed to analyze the consequences of divided government in the US (cf. Mayhew 1991; Howell et al. 2002).⁷ Similarly, in the EU the total output seems an

⁷ Research on the consequences of divided government also takes on an X-centered perspective (cf. Leuffen 2005). In the US, divided government is often considered to lead to an increase of legislative gridlock (cf. Sundquist 1988, 626). However, the findings on this question still remain ambiguous (cf. Cameron 2000; Krehbiel 1998).

appropriate indicator to assess the impact of enlargement on EU governance. Data on decision-making in the Council often suffers from the bias of concentrating on successful legislation (cf. Hayes-Renshaw *et al.* 2006, 164).⁸ However, when comparing legislative output before and after the enlargement the effect of this bias should not be very severe. In my analysis of legislative production I concentrate on binding legislation, i.e. regulations, directives and decisions (cf. Schulz and König 2000, 655).

My analysis relies on data from Heisenberg (2005), Hayes-Renshaw *et al.* (2006) as well as on own calculations based on the “monthly summary of Council acts.”⁹ For 2004 and 2005 I use data that was supplied to me by the Council Secretariat. This source was also employed by Heisenberg (2005) and Hayes-Renshaw *et al.* (2006).

As to the second category of the dependent variable, duration of decision-making, I, at this moment, still lack reliable data and therefore concentrate on the analysis of one particularly important negotiation, the Agenda 2007. The qualitative analysis of this case – most commentators agree that the multi-annual frameworks generally set the course for future integration – should offer clearer insights about the mechanisms of decision-making in the EU after enlargement. The case of the financial framework 2007-2013 touches allocation as well as questions of redistribution. It is decided by unanimity and it is very likely that the preferences of the different countries vary to a great degree. Therefore this case seems well suited for a possible gridlock. The qualitative analysis of this case will focus on processes of decision-making, on preferences and on outcomes.

4. Legislative Production Before and After Eastern Enlargement

Does Eastern enlargement change decision-making in the EU? How does it affect the production of legislation? Has the EU become more prone to gridlock or reform inertia

⁸ A similar critique has also been raised against Mayhew (1991). In order to account for the demand of legislation Edwards *et al.* (1997) but also Binder (1999) added unsuccessful legislative proposals in their data sets. Given this information they, in opposition to Mayhew, find that divided government hinders the legislative production.

⁹ Cf. http://www.consilium.europa.eu/cms3_fo/showPage.asp?lang=en&id=551&mode=g&name= (last accessed on 14/09/2006). My own calculations based on the “monthly summary of Council acts” differ slightly from the numbers provided by the Council secretariat. For example, for the year 2004 I counted 221 decisions whereas the number supplied by the Council secretariat was 229 (this could be due to measurement error). For the first semester 2005 I counted 72 acts, whereas the Council recorded 55 acts (15 decisions, 12 directives and 28 regulations). In my analysis, for 2004 and 2005 I employ the data provided by the Council secretariat in order to stay in tune with the figures of Heisenberg (2005) and Hayes-Renshaw *et al.* (2006) who rely on the same source.

since 2004? Figure 3 lists the Councils legislative output in half years from 1994 to the first half year of 2006. Until 2003 I can only report the yearly production of legislation; for reasons of comparability I, however, divided these numbers by two.

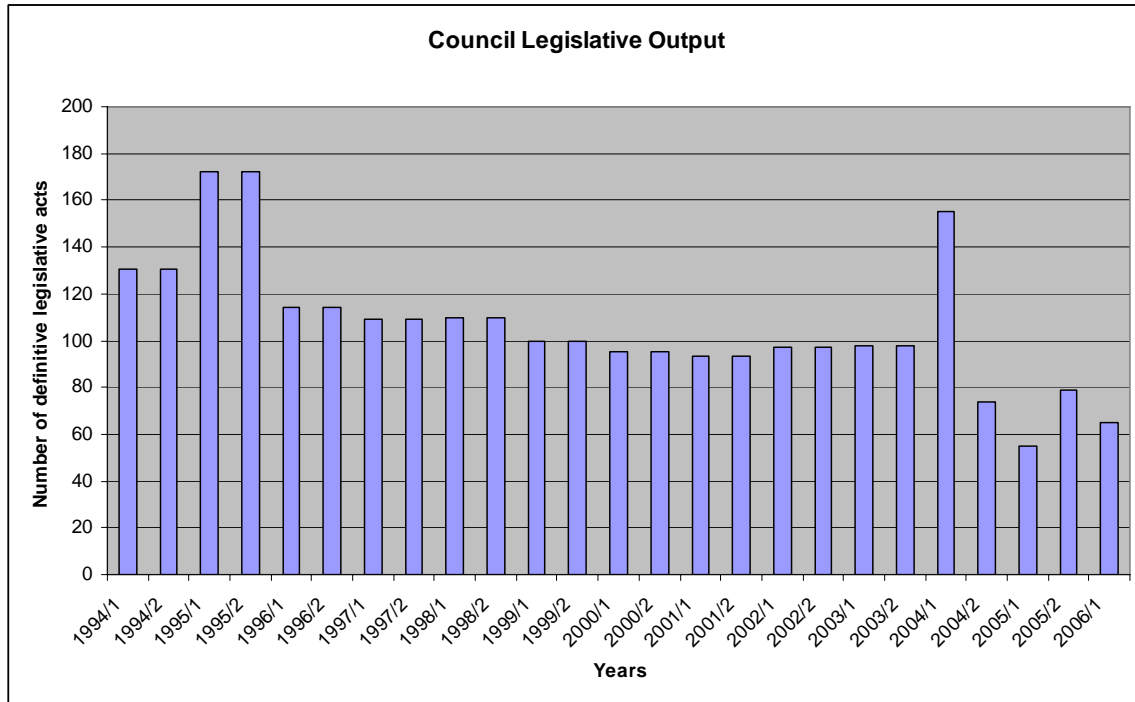


Figure 3: The Council’s Legislative Output. Sources: 1994 to 2004 Heisenberg (2005) and Hayes-Renshaw et al.(2006); 2004 and 2005 Council Secretariat; 2006 own calculation on the basis of the “monthly summary of Council acts”.

When comparing the mean values for the time period before the enlargement (“sub-period 1”) and after the enlargement (“sub-period 2”) we find a clear difference (table 1 provides some descriptive statistics on this issue). In sub-period 1 that groups the half years from 1994/1 until 2004/1 there is an average of about 114 adopted legislative acts per half year. In sub-period 2 from 2004/2 until 2006/1 this average is reduced to about 68 acts per half year. Note that the maximum number of legislation after the enlargement of 79 acts adopted in the second half of 2005 is still below the minimum value of period 1 which amounts to about 94 acts in each of the half years in 2001. There thus, clearly, seems to be a decline of legislative production before and after the enlargement.

	Obs.	Mean	Std. Dev.	Min	Max
Sub-Period 1	21	113.95	24.576	93.5	172
Sub-Period 2	04	68.25	10.563	55	79

Table 1: Descriptive statistics of the legislative output in the two periods 1994/1-2004/1 and 2004/2-2006/1.

A one-tailed t-test supports this result. I test the null hypothesis that there is no statistically significant difference in legislative output between the two periods. This hypothesis can be rejected on the 5% significance level.¹⁰ Note, however, that the number of cases is rather limited. Therefore these findings should be handled with care.

Of course, the demand for legislation is not taken into account by this analysis. However, this is a rather “nebulous” concept that is generally hard to operationalize (cf. Fiorina 1996, 90; Schulz and König 2000, 656). Also note that this finding, of course, does not tell about the quality of legislation.

Another aspect needs to be mentioned when interpreting figure 3. In fact, we can clearly see that the total legislative production diminished over the period of 1994 to 2006. According to Schulz and König (2000, 653) the number of legislative acts adopted per year was less than 300 in the mid-1970s and rose to more than 500 in the mid-1980s. Thus our average of about 230 acts per year (remember that we were dealing with half-years before) is clearly below this former rate. In order to test whether there is a saturation effect, I regress legislative output on a linear time trend for the period between 1994 and 2006. The results show that there is a statistically significant decline in legislative production during these years. This suggests that there is a saturation effect. At the same time, this does not completely wipe out the effects of Eastern enlargement. There nevertheless is a clear decline in 2004.

The decrease of the legislative production after 2004 can neither be explained by the fact that a new Commission was installed in November 2004 nor by the coming into

¹⁰ The t-value for the hypothesis that average output in the first sub-period equals average output in the second sub-period is 1.86.

force of the Nice treaty. There is, in fact, a decline of legislative production in 1996 as compared to 1995 (in 1996 the Delors Commission was replaced by the Santer Commission). At the same time, the number of legislation adopted in 1996 is quite close to the 1994 legislative production. Therefore, the year of 1995 seems rather to be an outlier. The 1999 change from the Santer to the Prodi Commission does not indicate a comparable effect. Similarly, it is unlikely that the Nice treaty provisions that already came into force in 2003 should have aggravated the situation to such an extent (cf. König and Bräuninger 2004).¹¹ This is also underlined by the great rise of legislation in 2004.

As to the monthly production of legislation in 2004 the highest value is recorded in April 2004 with 61 acts passed (cf. table 2). The outlier of the first half of 2004 can be explained by an anticipation of the enlargement. The second best score is reached in December, i.e. after the enlargement, with 37 adopted legislative acts. However, when comparing the monthly average acts that were passed before the enlargement (33.5) with the period after the enlargement (10.9) – always in 2004 – I find that there is a clear decline of the number of legislative acts.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
LO	10	27	36	61	1	12	12	0	6	12	7	37

Table 2: The Council's Legislative Output (LO) in 2004. Note that the final number of 221 acts differs slightly from the numbers supplied by the Council Secretariat (229) that were employed above. This difference very likely is due to measurement error.

For the time being, I cannot make out a systematic effect as to the different types of legislation (regulations, directives or decisions). Future analysis should stronger differentiate issue areas and decision rules in order to find out more about the mechanisms of decision-making after the enlargement. In addition, a closer look at the role of the European Parliament and the Commission in the legislative process seems promising.

How do our findings relate to previous enlargement rounds? In fact, we do not find a similar effect after the EU's Northern enlargement in 1995. After Austrian, Finish

¹¹ The Nice Intergovernmental Conference adopted a triple majority system (cf. Moberg 2002).

and Swedish accession on January 1st 1995 there, in contrast, is a clear rise of legislation. In fact, despite of the many Swedish vetoes that have been recorded in the first year after accession (cf. Hayes-Renshaw et al. 2006, 183) 1995 has been an extraordinarily productive year. However, after 1995 the number of legislative acts shrinks (I currently still lack data for the period before 1994). That Northern enlargement did not bring about similar effects might be due to closer preferences of the Northern states to the former members. At the same time, one could argue that there perhaps was a greater normative conformity amongst the Western states. However, at this moment, there still remain many questions as to the mechanisms of law production in the context of enlargement. For example, Mattila (2006) indicates that the Eastern member states do not seem to veto more legislation as compared to the old members.

All in all, it can be stated that the legislative production after Eastern enlargement has diminished as compared to the ten previous years. It should finally be noted that perhaps the negative referendums in France and the Netherlands did not contribute to boost the legislative production. In a future step we should stronger differentiate issue area and decision rule in order to get a better grip of the underlying mechanisms. For the time being, I will, in the following, present a short case study on the negotiations of the Agenda 2007 in order to round up these preliminary quantitative findings.

5. A Case Study of the Agenda 2007

Agenda 2007 is the EU's multi-annual spending plan for the period 2007 to 2013. This financial framework defines the annual spending limits and the distribution of the budget according to the different spending categories. It does not, however, replace the annual budgetary procedures. The multi annual spending plans are not codified in the primary law of the EU. They are decided by unanimity and they need to be ratified in inter-institutional agreements.

The agenda 2007 seems a "a fruitful subject for further analysis" (Hayes-Renshaw et al. 2006, 175). Financial frameworks are generally decided by unanimity. Questions of allocation as well as of redistribution arise and different preferences can be assumed from the outset. All these factors make the negotiations on the multi-annual spending plans particularly prone to gridlock. The following analysis distinguishes preferences,

processes and outcomes. In terms of process, it focuses on decision-making efficiency by analyzing the duration of the budgetary negotiations. In particular, I compare the duration of the Agenda 2007 negotiations with the Delors packages I and II and the Agenda 2000.

As early as in the fall of 2002 the European Council had already anticipated the Agenda 2007 negotiations by agreeing on an agricultural reform that defined agricultural spending (including market-oriented measures as well as direct spending) until 2013. Agriculture traditionally is the EU's largest spending category. The heads of state and government decided in 2002 that the spending for agriculture should be maintained at the current absolute level with only minor inflationary adjustments. The agreement largely resulted from on a Franco-German compromise between President Chirac and Chancellor Schröder. It was reached shortly before the European Council of Copenhagen that finally paved the way for enlargement. Therefore the candidate countries had only a much reduced influence on this part of the negotiations (cf. Beichelt 2004, 48).

On December 15th 2003 six heads of state and government published a letter that they had addressed to Commission President Romano Prodi. In this letter they – despite the challenges of enlargement – demanded a limitation of the EU budget to one percent of the Community's gross national income. In February 2004 the Commission finally presented its communication “Building our common Future. Policy challenges and Budgetary means of the Enlarged Union 20007-2013” (COM (2004) 101 final/2). On July 14th a first package of proposals are three additional communications are published (cf. COM (2004) 487; COM (2004) 498; COM (2004) 505). Two additional packages are presented on September 29th 2004 and on April 6th 2005 (cf. Becker 2005b, 179).

In June 2005 the heads of state and government cannot reach an agreement under the presidency of Luxembourg's Jean-Claude Juncker. Already at this moment, it becomes evident that, in fact, there are fewer disputes between the old and the new member states than amongst the old member states. The UK, Sweden, the Netherlands, Finland, Italy and Spain reject the Council presidency's compromise proposal (cf. Durand 2005: 7). In the final phase of negotiations the classic disputes amongst the British and the French dominate. France attacks the British rebate, the British are not willing to accept the enormous sums that continue to flow to French agriculture. At the European Council of November 2005 still no agreement can be found. However, on December 17th

2005 an agreement is reached under British presidency. European Parliament in turn rejects the European Council's compromise arguing that the total spending amount of 862 billion euros (i.e. 1.045% of the EU's gross domestic income) is substantively below its own proposal of 975 billion euros (i.e. 1.18% of the EU's gross domestic income). The European Parliament finally accepts the budget on May 17th 2006 after the General Affairs Council of May 15th had signaled that it was willing to accept the Austrian presidency's compromise. The European Parliament managed to negotiate an additional increase of the total budget of 2 billion euros. The final agreement amounts to 864.4 billion euro.

In the following, I will take a closer look at the three dimensions of preferences, processes and outcomes. The structural funds remain as the most interesting issue, since the agricultural questions had mostly been decided before (even if PM Blair aimed hard to get this issue back into the game). How do the new member states behave during these negotiations? Do they use their veto power now that the conditionality has vanished after their adhesion to the EU? In the Agenda 2000 the new member states were disadvantaged in terms of the absolute contributions that they received. In fact, they received less money per citizen than, for example, Greece or Portugal (cf. Beichelt 2004, 165ff.).¹² How did this change in the Agenda 2007?

5.1 Preferences

The member states' preferences towards the Agenda 2007 can best be explained on a rationalist basis. Three groups can be distinguished: the net contributors, the former net recipients and the new net recipients. This classification allows a clear ordering of the different countries (cf. Maurer et al. 2004). There is no indication that socialization has impacted on the member states preferences. Of course, budgetary politics might be a hard case for constructivist approaches, since economic and financial questions should have a natural inclination towards rationalism. In my process-tracing I did not detect any changes of preferences that occurred during these negotiations.

¹² Cf.

http://europa.eu.int/comm/budget/library/documents/revenue_expenditure/agenda_2000/allocrep_2004_en.pdf and http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/pdf/cohesion3/cohesion3_toc_en.pdf.

5.2 Processes

As to the modes of interaction bargaining clearly dominates. This is a general pattern for the negotiations of budgetary questions in the EU (cf. Enderlein und Lindner 2006, 195). This, however, does not exclude that we commonly find references to Community values. Actors, indeed, try to persuade each other of their positions. For example, a Spanish expert recommends the following approach to his government:

Therefore, since Spain needs the agreement of the net contributors, the new members and the Commission in order to reach its goals, a strategy of sheer intransigence and open threats may well miss the target. This leaves Spain with no other option than to engage in an intense and extensive exercise of both arguing and bargaining. Spain has no other option than to strategically combine the use of principle widely accepted at the EU level together with a solid set of arguments in order to persuade key member states of the validity of its arguments concerning its fears of a sudden and abrupt loss of funds and its implications. [...] However, being factually and normatively right is a necessary condition, but not a sufficient one for success in these negotiations. The sufficient condition for success is that one's claim be accepted as fair, both factually and normatively, by the others." (Torreblanca 2005: 21).

This statement clearly underlines that there is a normative dimension contained in these negotiations. There are, however, various normative concepts that clash during the negotiation. Whereas the poorer countries underline principles of fairness and economic need others stick more to the principle of "juste retour".

As to the duration of negotiations, I will in the following compare the Agenda 2007 with previous financial frameworks such as the Delors packages I and II and the Agenda 2000. I compare the period between the formal presentation of the Commission's draft financial framework and the unanimous decision of the European Council on the multi-annual budget. I thus will concentrate on the intergovernmental negotiations.

Financial Framework	Delors-I	Delors-II	Agenda 2000	Agenda 2007
Duration	12 Month (02/87-02/88)	10 Month (02/92-12/92)	20 Month (07/97-03/99)	22 Month (02/04-12/05)

Table 3: Length of negotiations of the financial frameworks. Source: own calculation.

Table 3 lists the duration of the negotiations of the different financial frameworks. It shows that the duration of the negotiations has, indeed, increased with enlargement.¹³

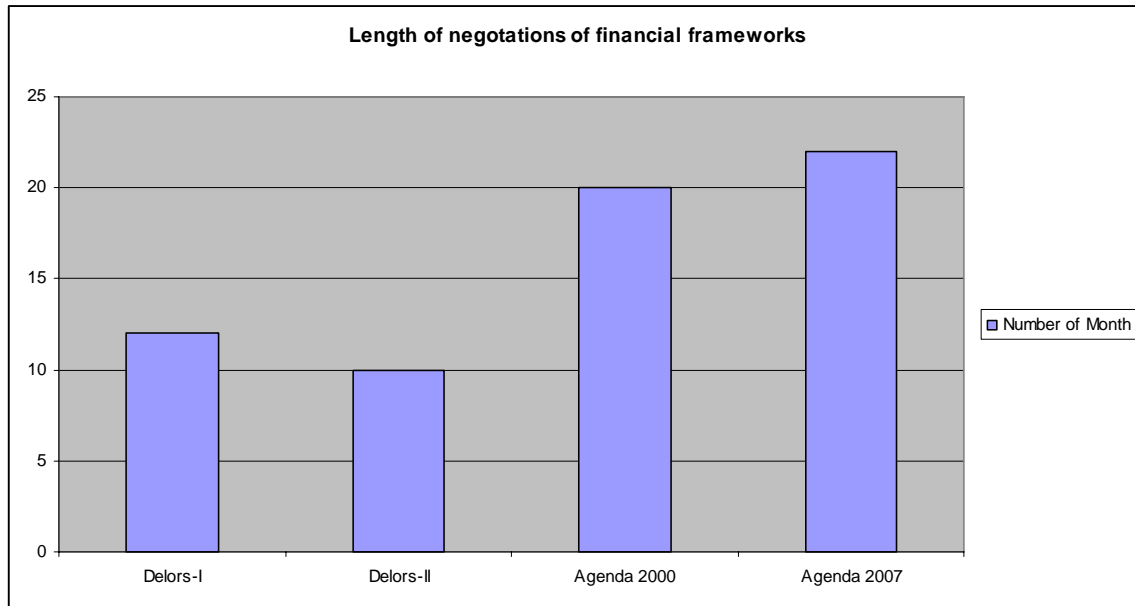


Figure 4: Length of negotiations of different financial frameworks. Source: Own calculation.

At the same time the length of negotiations of the Agenda 2007 differ only slightly from the Agenda 2000. This might be due to the fact that the Agenda 2000 had already anticipated enlargement. This, in fact, is clearly highlighted in the Commission’s 1997 communication “Agenda 2000. For a stronger and wider EU” (COM (97)6, 15/07/1997). Note, however, that the negotiations usually engage even before the Commission’s officially publishes its proposals. For example, the European Council already in 1986 negotiated the budgetary framework, i.e. even before the official presentation of the Delors-I-package. In addition, it should be underlined that the Agenda 2000 as well as the Agenda 2007 met the deadlines for ratification. In contrast, the ratification of the Delors-I-package was delayed and in early 1988 the Community had to rely on the provisional twelfth (the previous budgetary period had ended on December 31st 1987). Thus it could be argued that the EU finally learned to prolong the deadlines of the multi-annual spending plans.

¹³ Becker (2005, 180) reports a growth of the legislative packages that were negotiated in the Context of the Agenda 2007.

Although only based on very few cases these results nevertheless tend to confirm the hypotheses that enlargement has, indeed, reduced the efficiency of decision-making in the European Union. However, there was no gridlock and the EU managed to move ahead and to take this important step without a serious delay.

5.3 Outcomes of the Agenda 2007

In December 2005 the European Council agrees on the Agenda 2007. The framework contains spending provisions that amount to 862.363 billion euros for the entire period. Another two billion euros are, in addition, negotiated by the European Parliament in early 2006. As to the distribution of the budget the status quo is generally maintained. 33 billion euros of the agricultural spending are reserved for Romania and Bulgaria. The structural funds are quite equally divided amongst the old and the new net recipient countries. “Phasing out“ mechanisms are installed in order to help the former recipients to adopt to the new situation. The new member states generally profit of institutional changes, for example, concerning co-financing and the delays. At the same time, even in the context of the Agenda 2007 the new member states receive fewer contributions per capita than the traditional net recipients.¹⁴ Thus, there still seems to be some discrimination. But why do the new member states accept this result, although they are not any more bound by conditionality? This can be explained by the position of the reversion point. Paragraph 26 of the inter-institutional agreement of May 6th 1999 defines that if no agreement can be found the limits of the budgetary plan’s last year will be continued with only minimal modifications.¹⁵ An alternative cancellation of the inter-institutional agreement does not seem more promising for the new member states (cf. Art. 272.9 TEC). The budget most probably would not exceed the proper resources. In addition, the new member states, in fact, already receive the maximum possible amounts of transfers. In the EU transfers should not rise above four per cent of the gross domestic product of the recipient country. Thus, the new member states have already reached their

¹⁴ The new member states receive about 9.7 billion euros in 2006. The Commission proposal initially wanted to increase this amount to about 22 billion euros per year (plus another 3.5 billion euros for Bulgaria and Romania).

¹⁵ Cf. <http://europa.eu.int/eur-lex/en/treaties/selected/livre612.html>.

“absorption capacity” (cf. Conzelmann 2004: 339). This underlines the importance of institutions in the context of enlargement. Institutions contribute to prevent the emergence of gridlock. They facilitate complex decision-making.

These results are perfectly in line with rational institutionalist expectations. Of course, the negotiators referred to Community values and a common responsibility for developing the poorer Eastern European regions – already in 1986 the Single European Act had defined social convergence as one of the Community’s goals. For example, in the final hours of negotiations the group pressure on the UK rose. The UK finally accepted a gradual reduction of its budget rebate. Before, it had seemed that the UK had not been willing to take such a step (cf. Enderlein und Lindner 2006, 195). Since various factors such as the economic growth of the UK, the gradual reduction of agriculture subsidies and the calculation of the rebate would have led to an increase of this rebate Britain’s position on this issue was weak. In addition, the UK held the Council presidency which increased its responsibility of reaching an agreement (cf. Mattila 2004, 43; Hayes-Renshaw et al. 2006, 178). This shows that in addition to the dominant rationalist logic there are traces of constructivist elements that have an impact even on such classic rational-choice situations as the elaboration of financial frameworks. All in all, this case study underlines that formal and informal institutions prevented a stronger gridlock in the context of enlargement.

Conclusion

In this paper I analyze system production as the crucial indicator of enlargement effects. The analysis underlines that Eastern enlargement, indeed, has reduced the EU’s legislative output. The rather pessimistic predictions of Dobbins *et al.* (2004) in terms of a growing status quo bias can thus be confirmed. Growing reform inertia could possibly become an important challenge for governance in the EU. Therefore these finding underline the importance of an institutional reform of the Union. Facilitating decision-making could counterbalance the negative effects of enlargement (cf. König and Bräuninger 2004; Schulz and König 2000).

The findings of Mattila (2006) but also of my qualitative analysis of the Agenda 2007 underline at the same time that one should refrain from blaming the new member

states for the increase in policy stability. In the Agenda 2007 it is France and the United Kingdom that clash during the final negotiations. Accordingly, during the Amsterdam and Nice Intergovernmental conferences the elder member states had missed the opportunity to make the EU fit for enlargement. In a similar vein, the most recent reform proposal of the EU's institutions was blocked by the French and Dutch referenda against the European Constitution. For the time being it seems that the new member states act less protectionist and regulative than expected by Zimmer et al. (2005). However, this assessment would need a more detailed test to be confirmed with more certainty. At this moment, my findings on the mechanisms behind the numerical decline of legislation are still rudimentary. Future research should pay more systematic attention to issue areas and decision-rules as well as mechanisms. In addition, the effect of enlargement on the other institutions such as the European Parliament and the Commission should equally be analyzed.

The analysis was restricted to system production and the quality and content of legislation were neglected. However, effects on this level are more difficult to detect. If eastern enlargement contributes to a qualitative shift of legislation as, for example, predicted by König and Bräuninger (2004) or Zimmer *et al.* (2005, 404) this can, of course, also impact on the elder member states and public opinion on European integration. Enlargement thus offers many more challenging theoretical and empirical questions.

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