Enlarging the European Community/Union: National Preference Formation in the Member States

Kip Wennerlund
Center for International Affairs
Harvard University

18 April 1995

Prepared for delivery at the Fourth Biennial International Conference of the European Community Studies Association in Charleston, S.C , 11-14 May 1995.

1. Introduction

With the ructions surrounding the passage of the Maastricht Treaty[1] receding into memory and the day of reckoning for Economic and Monetary Union likely no earlier than 1999, observers of the European Union (EU) are turning their attention to the coming battles over institutional reform in the Intergovernmental Conference (IGC) set for 1996. High on the agenda of the IGC will be the institutional modifications necessary to fashion a viable Union enlarged beyond the present fifteen members. A Community built for six—and only modestly adjusted over the years—now entertains membership bids from its eastern European and Mediterranean neighbors and the likelihood of additional applicants from further afield.

Many studies over the years have addressed the "widening" of the European Community,[2] an issue of integration nearly as perennial as the concern with "deepening." But these works usually focus on an individual episode of enlargement and deal with the issue from the perspective of the applicant country; that is, they tend to address the question of why a government decides to apply for membership. This paper takes that decision as given[3] and addresses instead the more difficult question of why the member state governments of the Community would open their club to new members. Any expansion of membership leads to a redistribution of the costs and benefits of membership among and within the existing member states. Governments—each of which holds a potential veto—must therefore decide

---

[1]Officially, the Treaty on European Union

[2]Since much of the discussion in this paper traverses the period involving the EEC, EC and EU, I will use "Community" to denote all three in order to avoid awkward constructions The EC is of course no more, but the institution remains more of a community than a union. In the balance of this paper, I will use EU only when I am referring explicitly to present or future events

[3]It is easy enough to understand the allure of the EU in the eyes of its applicants Open access to a prosperous market of 370 million people provides numerous trade and investment opportunities Membership would eliminate current discrimination against exports of agricultural goods and certain other "sensitive" industries. A new member would become a more attractive site for foreign investment. In a highly interdependent world, where small states in the immediate vicinity of a behemoth cannot avoid feeling the effects of decisions and rules emanating from that center, membership offers at least the prospect of a marginal increase in influence over events. A seat at the table is also likely to enhance the chances of redirecting the distribution of resources toward ailing home industries and regions. In short, despite the EU's oft-noted democratic deficit, the continuing economic travails of some of its poorer members and its lack of any concrete security capacity, the current and likely future applicants see it as the closest thing in this uncertain world to a guarantee of democracy, stability, prosperity and security.

whether to accept, and under what conditions, the relatively concentrated, short-run and certain costs that result from the trade, budgetary and institutional effects of enlargement in return for generally more dispersed, longer-run and less tangible benefits.

For example, it is easier to identify the often concentrated and politically powerful declining industries in the existing member states that will be threatened by increased import competition than it is to demonstrate the benefit to consumers or the enhanced and potentially lucrative opportunities for those in export industries. Potential losing industries tend to lobby harder than potential winners or unorganized consumers. Pressures for resource transfers through the Community budget will be generated by the extent to which the applicant country specializes in agricultural goods covered by the Common Agricultural Policy (CAP), diverges from Community average per capita GDP, and suffers significant regional or sectoral problems. The cost for net contributors or existing net recipients is identifiable, and concentrated interests in declining industries and regions face potentially stiffer competition for aid. In regard to potential institutional effects, member states face a tradeoff of efficiency versus the political risk inherent in ceding autonomy. Some member state governments fear the enlarged institution could be diminished in capabilities or decision-making efficiency if expansions are unaccompanied by institutional reform. For others the danger is precisely the opposite: that the problems created by greater diversity of membership and interests will generate pressures for decision-making and competencies to migrate to Brussels, in addition to potentially strengthening lobbies for the creation of new or enhanced, intrusive and expensive Community programs. Finally, benefits that flow from the promotion of democracy and stability in neighboring countries are certainly real, even if they are difficult to quantify and highly dispersed, save for those politicians who successfully capture the issue.

The goal of this paper is to construct a framework to explain the decisions of member state governments regarding enlargement. As such, the paper steps back from the various attempts to enlarge the Community and presents a rough model of the factors on which government preferences concerning the realization, timing and conditions of enlargement are built. After some elaborations in the following section, it begins in Section 3 with a specific factors or sectoral approach to the domestic political economy in order to assess the preferences of significant socio-economic groups regarding a potential enlargement. This

section ends with a brief consideration of the how the organization of domestic political institutions—and the relative degree of access or autonomy provided—affects the costs of collective political action for sectoral interests, whether coalitions in favor of particular policies form, and the degree of influence, if any, these have on government decision-making. So far this is a standard political economy of trade model: group preferences interact with domestic political institutions to produce particular outcomes. A potential enlargement, however, also entails budgetary and institutional costs and benefits, potential shifts of resources which can affect the policy-making process and formation of national preference. Section 4 therefore presents some empirical material on the redistributive politics of the Community budget and Section 5 describes some institutional changes that have attended enlargement and produced the recent struggle over voting rules.

Future attempts to expand the EU will of course be unique, presenting new problems and thus demanding new solutions. But some attention to the processes by which enlargement has unfolded, or been blocked, in the past, based on the conditions demanded by key member state governments and domestic interest groups, will help to make sense of a politically charged issue that will remain high on the EU agenda well into the next century.

2. Elaboration of the Framework

The paper takes as given an exogenous "shock" or disturbance that arrives from the international environment (Gourevitch 1978; 1986), namely, an application for Community membership, and attempts to construct a framework for investigating the process by which a member state government arrives at a decision concerning enlargement. The preferences of prominent interest groups and political parties, their capacities for collective action and the accessibility or relative autonomy of decision-making institutions constitute the basic elements of the domestic policy-making process and are the variables which explain the formation of national preference regarding enlargement. The potential winners and losers from the process are relatively concentrated or dispersed, relatively organized or disorganized, relatively privileged in the domestic political process or shut out. If domestic opposition to a proposed enlargement is muted, if domestic interest groups are fairly evenly divided, or if government ministries or key decision-makers have a significant degree of institutional autonomy, the

latter may reach decisions on enlargement based on interests that cannot be tied to those of societal groups. These include geo-political concerns such as an interest in supporting a fledgling democracy, balancing against the Soviets, and enhancing the international profile of the Community.

These factors—the preferences of key domestic groups, the preferences of governmental actors, and the domestic political institutions that mediate between the two—determine a government's decision concerning a proposed expansion of the Community. They explain the variation in the national preference or response to the application. A member state government can reject an application—as France under de Gaulle did twice[4]—but this is an extreme response to those applicants that meet the formal criteria for membership: European identity, democracy, respect for human rights. Short of rejection is indefinite delay or avoidance of any definitive statement. On the positive side, a commitment to work towards enlargement at a later date and even a rough timetable might be forthcoming. For those applicants deemed ready to meet most of the obligations of the *acquis communautaire*—the accumulated body of Community law and practice—the decision might be conditional acceptance subject to the satisfactory negotiation of issue area exceptions, safeguard clauses, transitional periods of various lengths, direct financial compensation and compensation linked to other issues.

What a member state government demands at the accession bargaining table or links to a later Community transfer of some kind, depends in large part on the capacities of the government to provide domestic compensation for those societal groups that are politically powerful and, because they anticipate significant losses from the changes to existing arrangements, have intense preferences. If the government does not have the domestic resources to compensate those groups, numerous conditions at the Community level will have to be met to secure that government's vote for enlargement. A proposed enlargement is, of course, never the only issue, nor is it often the most important issue, on the domestic agenda of the existing member states. But since it entails a redistribution of the costs and benefits of membership—creating winners and losers within each member state in the process—it tends

[4]See Table 1 for dates concerning applications, membership negotiations and accessions

to become a salient issue for the governments of liberal democracies, which have to deal with the ever-present concern of maintaining or rebuilding domestic coalitions capable of keeping the government in power.

The framework in the following sections is presented in general terms that could be applied to the decision-making process of each existing member state. The actual application of the approach would, necessarily, focus only on the key member states, namely Germany, France and the UK. This follows from the assumption that enlargement proceeds under certain conditions or stalls largely according to how an application for membership plays in the domestic political economies of these three. If an application reaches the stage of accession negotiations, the terms of any accord should diverge from the *acquis* in ways that are consistent with their domestically derived interests. In other words, if one wants to explain enlargement of the Community, the preferences of the big three—and the accommodations they reach—should explain the greatest part of the variation in the realization, timing and conditions of enlargement.

3. A Sectoral Approach and the Trade Effects of Enlargement

This section begins with a discussion of some theories from international political economy that help to direct an investigation of the winners and the losers from the trade effects of enlargement. The task is to determine how socio-economic groups define their interests in regard to a proposed enlargement. At the end of the section, the role of domestic political institutions is considered briefly to suggest the conditions under which these groups are able to defend or advance their interests politically.

The first issue is dealing with the source of interests and the likely trade coalitions that will form in response to an application for membership. Most of the literature on the politics of trade policy begins with one of several assumptions about factor specificity—a measure of the ease with which factors can move between different sectors of the economy or the costliness with which factors move from their present use to an alternative one—because most students of trade policy believe that the degree to which factors or assets are specific to a particular economic activity is a main determinant of the composition and character of trade

policy coalitions (Alt *et al*).[5]

In the Stolper-Samuelson model,[6] factor specificity is so low that factors are assumed to move costlessly. This implies that the returns to a factor of production are equalized throughout an economy. In other words, the fortunes of the owners of a particular factor—land, labor or capital—rise or fall together regardless of the industry in which they are employed. Countries tend to specialize in the production and export of those goods which use intensively the factor in which the country is relatively well endowed and to import goods that require intensive use of the factors that are scarce locally. Trade, therefore, benefits the owners of the abundant factor, who enjoy the rise in the relative price of their goods which is spurred by increased demand from abroad, and hurts the owners of the scarce factors, who now experience a decline in relative prices because they face competition instead of serving the home market alone. In regard to trade policy, then, the abundant factor owners favor free trade and the scarce factor owners desire protection. The empirical expectation is that trade policy coalitions will form along factor or class lines. Rogowski (1989) is a prominent recent example of the use of Stolper-Samuelson assumptions.

In the Ricardo-Viner or specific factors model, on the other hand, factor specificity is high enough so that at least some factors are stuck in their current use. If workers or investment are not easily redeployed to other uses, their fortunes are tied to the industry in which they are currently employed, rather than sharing any affinity with the broader factor category of labor or capital. When factors are relatively immobile, trade policy coalitions form according to whether the industry is primarily involved in import-competing or exporting activity. Frieden (1991) uses the approach to address international finance and the endogenous tariff literature uses specific factors assumptions (e.g., Magee, Brock and Young 1989).

The tendency in the literature is towards use of the specific factors model, but this may have more to do with the time horizons of a particular study than the inherent superiority

[5]See Alt *et al*, and Alt and Gilligan 1994, for detailed treatments of the models—the assumptions, important nuances and the implications for the formation of trade policy coalitions. The first part of this section and section 4 draw heavily from both

[6]And in the Heckscher-Ohlin model which Stolper-Samuelson extends

of the model. A consensus of sorts seems to be emerging. that the models differ more in degree than in kind. Economists have traditionally viewed the sector-specific model as a short-run version of Stolper-Samuelson. In the long-run—and Rogowski was dealing with historical trends—most, if not all, factors can be redeployed. But in the short-run, few assets can be costlessly transferred from a current to an alternative use (Alt *et al*: 10). In the absence of any agreement on well defined measures of specificity that would suggest the choice of model, it seems safe to use sector-specific assumptions for this project. The time horizon is relatively short and, empirically, the costliness of shifting factors or assets from current to alternative uses is readily apparent.

A potential complication is that the above models were developed to explain *inter*-industry trade. But the vast majority of trade among industrial countries is now *intra*-industry. Some estimates of this two-way trade in similar products put the figure at over seventy percent of total trade. Intra-industry models exchange the assumption of perfect competition for one of increasing returns to scale (IRS). Intra-industry trade is explained by economies of scale and product differentiation rather than differences in factor endowments or inter-industry factor intensities. In this situation, factors or assets are likely more specific to individual firms rather than to a broader industrial sector. The relevant point here is that adjustments to intra-industry trade will take place within rather than across sectors. Since the distributional consequences are less clear, it is more difficult to determine the interests of a particular sector or industry. Milner (1988), for example, demonstrates that firms within the same industry have different preferences regarding protection or more open trade depending upon the degree to which they are integrated into the international economy. The more multinational a firm is, the more it prefers free trade, which eliminates the costs of protection on global intra-firm trade.

While IRS models predict that the distributional ambiguities might dampen conflicts over trade policy, they "also show how both workers and owners can be threatened by a 'tipping' of regional advantage that moves a whole sector from one location to another (Krugman 1991). If, indeed, economies of scale are increasing in importance, and if a region's or a country's competitive advantage results more from accident, infrastructure, and infant-industry policy than from endowments of general or specific factors, it is reasonable

for sectors to lobby more, and to do so as sectors. Moreover, one might predict that the sectors most characterized by IRS would be likeliest to mobilize as sectors in support of more open trade" (Alt *et al*: 7).

In terms of this paper, some of the caveats concerning intra-industry trade—such as the dampening effect whereby the position papers and lobbying efforts of industry federations conceal a good deal of the underlying variation in preferences that exist within sectors—apply, especially in regard to the first attempts at enlargement and the recent episode, each of which entailed a significant amount of intra-industry trade between the applicants and the key member states. Such considerations are less important but still relevant for the two southern enlargements—and possible future enlargements—where more of the trade was inter-industry. In any case, as indicated above, much of the expected political activity continues to organize along sectoral lines.

In regard to enlargement, sectoral interests are determined by the shifts in the patterns of trade that accompany any change in the membership of the Customs Union or CAP. The elimination of barriers to trade, and implementation of the Common External Tariff (CET) and the Community regime in agriculture have long constituted the core policies of membership, forming the basis of the common market. In the 1960s tariff and quota barriers to trade among member states in manufactured and most other industrial goods were eliminated and the CET established Community preference. The CAP, implemented during the same period, consists of support prices for most agricultural goods common to the Community, levies on the import of goods from outside the Community, various measures that attempt to regulate supply, and export subsidies for any surpluses generated.

The creation of a common market with external barriers to trade implies, of course, both trade creation and trade diversion depending upon the initial national levels of protection and the corresponding common tariffs and levies. Any changes thereafter, in the level or coverage of the common external barriers or in the geographic scope of the arrangement, also have trade creating and trade diverting effects. In the terms of the literature on customs unions, trade is created when the enlargement of the Community and the elimination of Community barriers to trade with new members leads to the replacement of a high-cost source of production—in the old Community or in the new member states—with a lower cost

source. Trade is diverted if a more efficient producer outside of the enlarged Community is displaced by less efficient producers in the old Community or in the new member states that now enjoy the benefit of Community preference.

In general then, export sectors in the existing member states have an interest in enlargement since they are likely to enjoy greater opportunities in applicant markets after the elimination of existing barriers and under the protection provided by the CET against third countries. In other words, trade diversion is a potential benefit for them. On the other hand, the interests of import-competing sectors in the existing member states are against enlargement because of the possibility of trade creation. They may lose market share to exporters from the new member states that can now compete on even terms.

A careful examination of the trade effects that are likely to accompany a particular enlargement should indicate which particular sectoral interests in the existing member states are likely to benefit and which are likely to be hurt. This can be accomplished by examining existing trade flows and estimating how they are likely to change by the removal of trade barriers and the imposition of the CET and CAP. For non-agricultural goods this requires an assessment of the competitiveness of applicant exports in light of the removal of the CET. If the increased price competitiveness of applicant exports is likely to cut into the national or Community market share of industries in the existing member states, they obviously have an interest in lobbying against the proposed enlargement or demanding compensation, either from their home government, through accession negotiations or via some form of Community transfer. By examining existing Community tariff levels across the product categories in which the applicant concentrates its exports, and by matching this information with knowledge of the sensitive import-competing industries in the existing member states, one should be able to obtain a good idea of which industries have the most to lose from enlargement. Similarly, an assessment of how traditional exporters in the existing member states are likely to fare in applicant markets after the elimination of existing barriers to trade, will show which sectors have an interest in expending resources to see that the expansion indeed takes place.

Econometric analyses of this sort attempt to estimate the dynamic as well as the static effects of marginal changes in tariff rates. These are important considerations. But given the

high degree of uncertainty involved—based on the assumptions employed—political activity is more likely to be motivated by a simpler calculation of which industries in the existing member states are at risk from the exports of a potential applicant state.

A different sort of analysis is required for determining the likely winners and losers from implementation of the CAP since this involves guaranteed prices in addition to the imposition of levies on imports. The guaranteed price means that producers are not concerned about increased competition in Community markets, assuming the CAP remains unchanged. But if the production of an applicant adds to a Community surplus in a particular product, pressures for reducing the level of CAP support will be generated. In this situation, Community producers will have an interest against the enlargement. On the other hand, if the applicant is not self-sufficient in a particular product, producers may have the opportunity to expand production, or at least the political and economic problems of current surpluses will be lessened. Producers of products in which the applicant is deficient have an interest in supporting the enlargement, depending on the size of market share that would become available.

The derivation of the preferences of socio-economic groups is a start to explaining the national preferences regarding enlargement. But of course, in isolation, the mere fact that a particular group stands to gain or lose from the addition of a new member state to the existing common market tells nothing about whether the group will take any political action to defend or promote its interests. The above models spell out the distributional implications. But they also need to take into account the costs of collective political action and the nature of domestic political institutions. Alt and Gilligan (1994) show how these factors interact with factor specificity to produce particular patterns of political activity.

Political activity depends in part on the extent of any free-rider problems (Olson 1965) and the costs of collective action more generally. Those groups that face lower costs—because of geographic proximity or technologies that ease communication, the advantage of concentration or low numbers, and so on—are obviously more likely to organize in defense of their interests. Geographic concentration or four-firm concentration ratios can be used to estimate the costs of collective action. Past strength of an organization is also a useful proxy for current collective action costs (Alt *et al*). In other words, groups that are

already part of an existing organization are more likely to defend their interests even if the stake is small because the start up costs the organization have already been paid and channels to decision-makers established. Each additional activation of the instrument is relatively cheap. On the other hand, the interests of some groups may be severely threatened by a proposed enlargement. Yet, because the costs of establishing an organization to defend those interests is high, the groups do not act to defend their interests. An organization might be at the level of individual industries or a more encompassing federation might span industries, providing a ready tool for well-established coalitions.

The locus of decision-making in domestic political institutions also affects the prospects of societal groups exercising influence over the process. It might prove necessary only to lobby a particular ministry or a parliamentary committee or it may be necessary to build broader coalitions that are capable of prevailing in a parliamentary vote or a national referendum.

Finally, the decision-making institution might allow a good deal of access for domestic interests through established channels. Or a particular ministry with significant input might be highly insulated from domestic political pressures and thus be able to pursue goals that are not tied to any particular domestic group. Furthermore, the nature of much of Community decision-making in Brussels has created greater autonomy for decision-makers in dealing with domestic groups and with national parliaments. This holds for the politics of enlargement as well. More specific statements require going beyond the outline of this brief model to consider of the actual domestic political institutions of the member states in question, to identify where the key decisions regarding the conditions pertaining to any proposed enlargement are taken, and whether socio-economic interests with a stake in the matter can do anything about it politically.

4. Budgetary Redistribution

The trade effects of enlargement, a function of the removal of barriers to intra-Community trade, adoption of the Common External Tariff (CET) and implementation of the Common Agricultural Policy (CAP), create a redistribution of the costs and benefits of membership, both across sectors or industries and among member states. They also play a

role in redistribution through the operation of the Community budget. However, only part of the trade effect shows up in the budget. The change in prices that the CET and, in particular, the CAP generate for intra-Community trade lead to unrecorded shifts of resources. These effects are considerably larger than those documented as support prices and subsidies for agricultural exports. Yet the latter—and the other items in the budget—are much easier to identify and thus they often assume a greater political salience. *Juste retour*—the notion of receiving benefits that are roughly commensurate with the costs of membership—is anathema in most Community circles. Yet, since Community budgetary costs and benefits are identifiable, governments are not immune to the demand for membership value.

Battles over the recorded budgetary gains and losses have been a recurring theme since the UK joined in 1973. They have persisted despite the eventual settlement of the British dispute, in large part because of the intra-Community income disparities, which have grown wider with successive enlargements. These disparities have generated pressures for those member states that are likely to gain from greater integration to compensate those that are likely to lose. The redistributive pressures arise in part from the logic of measures deemed necessary for the Community to cope with greater economic competition—buttressed by the prevailing ethos of a social market economy as well as normative statements concerning social cohesion in the SEA and the preamble to the Treaty of Rome—and in part, simply by virtue of the bargaining leverage present in situations requiring unanimity.

The documented gains and losses through the budget are a function of the Community's particular revenue and expenditure policies. Both the customs duties collected on the CET and the levies raised via the CAP are part of the Community's "own resources," which accrue directly to the Community. Since these sums depend upon the propensities of the member states to import goods from outside the Community and on the degree of national self-sufficiency in agricultural products covered by the CAP, national contributions can differ significantly from what might be expected if assessments were based exclusively on a measure of income. The third element of the resource system that the Community inaugurated in 1970 in order to replace negotiated national contributions is based on a percentage of national Value Added Tax (VAT). It was implemented, however, only from

1979.[7] The so-called fourth resource, based on member state GNP, was created as part of the Delors package in 1988 which also set an overall ceiling on resources, currently 1.2 percent of Community GNP. The variable GNP assessment is designed to top off the other resources and balance the budget at the designated ceiling.

As shown in Figure 1,[8] the share of revenue from customs duties and agricultural levies has been declining over time, spurred in part by the increase in Community agricultural self-sufficiency and in part by the multilateral cuts negotiated through the GATT. Member state complaints about the arbitrary nature of the assessments also played a role. Similarly, the shift in emphasis away from the VAT resource in the direction of the GNP-based assessment was motivated by calls to ground contributions more on ability to pay and less on punishment of those with high propensities to consume. The transparency of the GNP method is also preferred by most to the VAT method, which depends on the efficiency and honesty of national tax collection systems (Tsoukalis 1993).[9]

As for the distribution of the financial burden, in 1994 Germany covered 30.36 percent of the general budget. France contributed 19.34 percent and the UK, after the rebate on a portion of its VAT assessment stemming from the 1984 budget settlement, 11.64 percent (European Commission 1994a). Of course, the net national transfers through the Community budget also depend on the nature of the programs that the Community finances.

On the expenditure side, the distribution of resources is highly skewed by the CAP. The guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), which provides a guaranteed price for the agricultural products covered as well as subsidies to dispose of surpluses on the world market, continues to dominate the Community budget. Recent reforms, including more competitive prices and more direct aid to farmers, have begun to shift the focus of Community expenditures away from agricultural support, even if

---

[7]The initial rate, 1 percent, was raised to 1.4 percent in 1985 and is scheduled for gradual reduction to 1 percent by 1999 as the weight of the fourth resource, based on GNP, is increased.

[8]The "Miscellaneous" in Figure 1 includes contributions by new member states during transition periods and intergovernmental transfers to balance the books before the VAT resource was introduced in 1979, and again in 1984-1986 when ad hoc transfers were needed because the own resources were exhausted

[9]This section draws on Tsoukalis, 1993, pp. 148-174 and 228-277.

the total support continues to climb. EAGGF expenditure varies—based on the difference between Community and world prices, the quantity produced and the quantity of subsidized exports—but its share of the budget averaged over seventy percent in the 1970s and sixty percent in the 1980s (see Figure 2 and Table 2). According to the guidelines of the second Delors package, the share devoted to the guidance section is scheduled to continue to decline so that by the late 1990s, it will consume less than fifty percent of the budget (European Commission 1994a).

The main beneficiaries of the EAGGF are the larger, more productive farms in the product categories most favored by the CAP: grain crops, milk, beef and veal. Thus, countries like Denmark and the Netherlands receive a disproportionate share of the payments (see Table 3). Ireland and Greece secure a relatively large amount by virtue of the size of their farming sectors rather than the products in which they specialize. A similar situation holds for Portugal and Spain, where the amounts have only in the more recent figures begun to reflect their true value as transitional measures have wound down. As for the big three, France is a major beneficiary of support through the Guarantee Section, receiving about 24 percent of the total in 1993, the UK ranks near the bottom because of the small size of its farming sector, and Germany falls in between. Given the role of agricultural support in the Community budget, the distribution of EAGGF payments goes a long way toward explaining the expenditure side of the equation.

The relative decline in the budget share of the EAGGF is mainly the result of the significant increase in the funds that are designed to cushion the shocks of restructuring in declining industries and regions and to foster development more generally, known collectively after the 1988 reform as Structural Funds. The reorganization and doubling of fund resources were part of the so-called Delors package, which included a reform of the CAP. This agreement marked the first successful effort to shift the target of expenditures away from agricultural support and was presented as an integral component of the overall deal that included the SEA and completion of the single market. The relatively poorer member states needed financial assistance in order to prepare sensitive regions and industries for the increased competition of the single market and the side-payment proved necessary for political acceptance of the program. The increase in the funds over the five year period

1989-93 was Ecu 60.3 billion (in 1989 prices), with an additional 3 billion added at the end of 1990 for the new German *Länder* (Tsoukalis 1993: 245). The share of expenditure rose from 15.1 percent in 1988 to 25.3 percent in 1991 (see Table 2 and Figure 2)

The second Delors package (1993-99) further increased the share of the Structural Funds, to 29.7 percent in 1994 with plans for almost 35 percent by 1999, mainly through the creation of a Cohesion Fund that directs aid to those member states with less than 90 percent of the average Community GNP—namely the four poorest, Ireland, Greece, Spain and Portugal—rather than to eligible regions and industries across all the member states, as is the case with the other Structural Funds. Spain held up the agreement until the last minute and was viewed, in particular, as a victor (Shackleton 1993: 21). Once again, the agreement was conceived of and sold as part of a broader deal, a tradeoff, that would enable the poorer member states to adhere to a program of convergence and thus enable them to participate in a future Economic and Monetary Union (EMU). A new twist was the addition of conditionality and multilateral surveillance.

The distribution of the other funds proceeds according to the objectives defined in the 1988 reform. Objective one is to promote development and structural adjustment in less developed regions, those characterized by less than 75 percent of the average Community income. This includes the whole of Greece, the Republic of Ireland, Northern Ireland, Portugal, most of Spain, the Mezzogiorno, and after 1993, the eastern German *Länder*. This objective commanded 54 percent of the structural funding in 1994 and affected some 21 percent of Community population (European Commission 1994a: 79-81; Tsoukalis 1993: 244). Objective two addresses areas affected by industrial decline, mainly in central and northwestern Europe, with a high concentration in the UK. Spending under this objective consumes 9 percent of total funding and touches 16 percent of Community population. The amounts devoted to objectives three, four and five, designed to address long-term unemployment, the employment of young people, and the structural adjustment and development of rural areas, are small. Finally, a new objective six was created as part of the enlargement package negotiated by the Community and the EFTA applicants. This instrument is designed to aid lightly populated Arctic and sub-Arctic regions that had received national transfers which would have to be phased out upon enlargement, but yet were too rich

to qualify for assistance under Objective One. The Community was not prepared to bend the rule for Objective One, but it did come up with the cash and a new custom-made objective in order to resolve the issue and push the enlargement toward successful completion.

The increase and expansion of the Structural Funds since 1988 were an acknowledgement that some of the losers from integration in the form of the single market and potential EMU would have to be compensated in order to minimize the pain of increased competition and consequent restructuring—which might impede effective realization of the initiatives—and, more plainly, in order to purchase political acceptance. Payoffs in the form of new programs or increased funding have accompanied most of the major intergovernmental bargains that have advanced European integration, whether in the form of deepening or widening (Moravcsik 1993). Successive enlargements have increased the divergence in levels of economic development among the member states and regions (see Table 4). This has increased the pressures for redistribution in general and the bargaining power of the *demandeurs* at each of the critical junctures. Although this theme may be more apparent today in the wake of negotiations over the SEA, the single market, the European Economic Area (EEA) and Maastricht, the pattern began with the first enlargement.

Transfers were not a big issue in the original Community because, with the exception of the Mezzogiorno, the level of development across the Community was fairly even. In any case, until the Community acquired its own resources, spending plans were sharply limited by what could be negotiated in the context of an intergovernmental bargain. On the surface, the conflict that flared when the French walked out of the Council in 1965 was about financing the implementation of the CAP and the completion of the Customs Union. It was of course more about control over decision-making in the context of qualified majority voting in the Council (Camps 1966), but the rift served to delay any agreement over resources until 1970.

In 1973 then, the regional problems of the new members, the UK, Ireland and Denmark, increased the divergence of a Community that had only meager means to address such problems. The UK, in particular, had an interest in creating an instrument to fund regional restructuring and development. As a recipient of such funds, the UK could reclaim part of its disproportionate net payments to the Community budget. Thus, the European Regional Development Fund (ERDF) was born in 1975, providing funding originally on a

country quota basis and evolving after the next two enlargements into matching grants for financing infrastructure and other investment projects. In 1985 the coming accession of Portugal and Spain led to a new initiative that focused on the adjustments that the expanded Mediterranean region of the Community would need to undertake. The Integrated Mediterranean Program was fashioned to redress some of the bias in the CAP in favor of northern products, to foster development and restructuring more generally, and to buy political acceptance for the Iberian enlargement in those regions that would face increased competition for trade and investment (Yannopoulos 1989). The recipients included the Mediterranean regions of France and Italy and all of Greece.

These various initiatives, however, proved insufficient in addressing the problems of lagging regions and distressed industries, problems which the southern enlargements enhanced. Greater disparities in income, productivity and economic performance thus set the stage for the reorganization and doubling of the Structural Funds described above.

When the total payments from the various programs are compared with the financing of expenditure, the net member state transfer looms large as a share of GDP only for Greece, Ireland and Portugal, which gained resources in 1993 equivalent to, respectively, 6.59, 6.05 and 3.90 percent of GDP (see Table 5). For the rest the difference is generally less than plus or minus one percent of GDP. In absolute terms, however, Germany's Ecu 11,830.3 million contribution (in 1993 prices) is far from insignificant. The UK, despite its rebate, is still the second largest net contributor with a deficit of Ecu 3,125.8 million. France, traditionally the third major contributor, paid a difference of Ecu 1019.6 million, or less than half as much as in 1988 and 1990, based on percentage of GDP. The trend of recent years toward contributions based more on income levels and the trend of shifting expenditures from a concentration on agricultural support toward more assistance for the poorer member states are visible in Table 5. Italy and the Netherlands move from net recipients to net contributors. Greece, Ireland, Portugal and Spain become ever larger beneficiaries.[10] Germany picks up the greater part of any additional expense.

---

[10]The reversal in the net position of Belgium and Luxembourg is mainly because of the transfer of resources related to serving as sites for Community institutions. These administrative receipts are incorporated in the 1993 figures, but not in the previous years

If the transfers in GDP terms are relatively small, how then can the controversies over the budget be explained? In short, while France and Germany have been large net contributors, they both have received, France in particular, substantial returns in the form of support for agriculture. The governments of both countries have tended to downplay the issue of net position, to cast such concerns as anti-*communautaire*, to emphasize the economic benefits of open access to the world's largest market, or to portray payments as the cost of pursuing their respective foreign policies through the Community—the amplification of the French voice in the world affairs as political leader of Europe, broad Franco-German cooperation, and the reassurance of Germany's neighbors, West and East. For the UK on the other hand, a holdout at the founding and a reluctant member from the outset, membership offered no analogous overarching foreign policy rationale that could help to justify the relatively large net payments. Neither did the economic benefits seem as apparent to the British as they did to the French and Germans.

From the discussion above, the source of the excessive British contribution should be clear. The UK's relatively high propensity to import goods from outside the Community, in part a function of its lower degree of self-sufficiency in agricultural goods, meant that its payments based on the CET and CAP levies, the only automatic sources of Community revenue prior to 1979, were disproportionately high. At the same time UK receipts from Community programs were relatively low because of its relatively small agricultural sector. Recall that the Guidance Section of the EAGGF dominated Community expenditure in the past and still accounts for over fifty percent. In Table 3 it is apparent that the UK was receiving nowhere near the amounts in EAGGF payments that were returning to other member states of a similar size. The resulting financial deficit with the Community was thus a product of Community policies and conditions peculiar to the UK.

The first efforts to renegotiate the British position began the year after membership and ran for a decade. The Thatcher government secured refunds on a year-to-year basis in the early 1980s that approximated two-thirds of the net budgetary contribution before agreeing to a more permanent system of rebates under the Fontainebleau Agreement in 1984 that would return almost sixty percent of the net contribution. The price for continuing the rebates and avoiding the yearly irritant was British agreement to raise the own resources VAT

ceiling from 1.0 to 1.4 percent (Denton 1984). The British bargaining position was enhanced by the fact that the Community resources had been depleted by the continuing rise in EAGGF expenditures. Without an increase in the VAT ceiling, there would be no money for other initiatives, in particular, for the costs that were expected in easing the transition to membership for Spain and Portugal.[11] On the other hand, the UK was limited by the resistance of the other main net contributors, Germany and France, who would have to pick up the main burden of any British reimbursements. Germany, for example, negotiated a reduction of its approximately 38 percent share of any refund granted to the UK.

Somewhat surprisingly, the 1988 Delors Package—which doubled the Structural Funds, introduced some constraints on agricultural spending, and created the new GNP-based resource—did not revisit the earlier budgetary battles. The UK would receive a rebate on the new resource with the burden shared among the other members, subject to relief again for Germany, and for the newcomers, Spain and Portugal (Nicoll 1988). Opinion on the British abatement, however, had hardened by the time of the second Delors Package. In September 1992, six members, including Germany and France, made formal objections to continuation of the arrangements. But the issue was overtaken by the concern to pass the Maastricht Treaty, which faced an uncertain future in the House of Commons. Despite considerable efforts from other member states, there was no modification to the Fontainebleau deal and the 1988 amendments (Shackleton 1993).[12]

The budgetary battles over British contributions and abatements from 1974 to 1984 consumed the time and energy of negotiators, diplomats, politicians and commentators far in excess of anything that could be justified by the amounts involved. Moreover, budgetary issues have remained contentious since Fontainebleau, despite the fact that the amounts

---

[11]Germany—the largest marginal contributor of any increase in spending—however, made agreement to the new "own resources" treaty conditional on the accession of Spain and Portugal. Settlement of the budget problem was thus linked to enlargement (Denton 1984: 133)

[12]Once again, budgetary issues became entwined with enlargement. At the Lisbon summit in June 1992, commencement of negotiations for the EFTA applicants was made contingent on a budgetary agreement for the next five-year period Shackleton (1993) attributes the timing of the budgetary settlement to the confluence of several pressures: pending enlargement negotiations, EAGGF growth pushing past budgetary guidelines and the efforts to pass Maastricht.

redistributed by budgetary means pale in comparison to the shifts in resources through the trade effects of enlargement. Yet, because the recorded expenses and receipts, and the net balance, are relatively easy to identify, they often assume a disproportionate political significance. Germany, by far the largest net contributor and the "contributor of last resort" that pays disproportionately for any unplanned increase in Community spending, has already negotiated modest reductions in its share of the burden of the British abatements. The concern in Community circles is that this trend could accelerate in the changed environment of the post-Cold War era and that the intermittent grumbling in the past over Germany's contributions could become more vocal and generate budgetary conflicts anew.

5. Institutional Effects

Naturally, enlargement requires an adjustment in participation or representation of the member states in the various bodies of the EU. New members gain positions and sometimes the distribution among the older members is adjusted as well. For most of the EU's history this process has proceeded without much rancor because the distributions tended to follow established precedents and were deemed unthreatening to the interests of member states. In those bodies that were designed to act in the interest of the Community, participants from new member states were merely added while holding existing member state participation constant. Even in those bodies that were to represent the interests of member states or national constituencies—the Council of Ministers and the European Parliament (EP)—votes or representatives for the new member states were added while the numbers for existing member states remained constant.[13] Since votes or numbers of representatives were originally distributed according to a rough calculation of population, economic power and political considerations—including some overrepresentation in favor of the smaller countries in order to avoid domination by a coalition of the largest—this led to a decline in the relative weight of existing member states over time. However, political controversy over institutional design arose only after the reforms to routinely utilize qualified majority voting in the Council.

---

[13]The sole exception was enlargement of the Council of Ministers in 1973, which added votes for new members and existing members. More on this below

Thus the United Kingdom and Spain each gained two Commissioners upon entry, the same number as for the larger existing members, whereas all other members have only one. While jockeying for the most attractive Commissioner portfolios attends the formation of each new Commission, concerns about the reduced weight of any given state upon enlargement is nonexistent because Commissioners are treaty bound to represent and promote the interests of the EU, not their home governments. Furthermore, despite its considerable influence over the EU agenda and implementation of decisions taken in the Council of Ministers and the European Council, the Commission is subject in the final analysis to the determinations of the latter bodies.

The European Court of Justice has a judge from each member state, with an additional judge appointed in a rotating order when the number of member states is even. Since the judges act in an independent capacity to uphold the treaties and the rest of the *acquis communautaire*, representation is not an issue.

Despite the successive upgrading of the status of the European Parliament, from the Treaty of Rome through the Single European Act to the Maastricht Treaty, the EP has only had a limited impact on the evolution of the EU. Over the years it has added to its primarily consultative role by acquiring the authority to adopt or reject the general budget and to participate in the legislative process by way of proposed amendments to Commission initiatives. Now the EP even has veto powers in a narrow range of activities—including over enlargement. Yet its largely peripheral role has meant that little controversy has surrounded the various adjustments in EP representation from successive enlargements, which always added representatives from the new states while holding existing membership constant, diminishing in the process the relative weight of each existing national delegation.[14]

A similar pattern also prevailed for most of the life of the Council of Ministers, where Commission proposals are negotiated and turned into legislation. Although the Treaty of Rome contained provisions for qualified majority voting in some issue areas, there was little or no chance of a member state being outvoted after the French under President de Gaulle

---

[14]The expansion in the size of the EP in conjunction with the first direct elections in 1979 was also accompanied by a redistribution in the shares of national delegations. The German delegation was also increased in the wake of German unification.

used the "empty chair" strategy to force the so-called Luxembourg compromise in 1966, which permitted vetoes at the discretion of any member state that declared an issue to be of vital "national interest" (Camps 1966). A de facto requirement of consensus in the Council on any but the most routine issues thus evolved.

In this environment, the voting weights of each member and the question of reapportionment of shares in the wake of each enlargement aroused little controversy. For the first enlargement, the total number of votes and the number for each existing member was increased, while at the same time, the share of the total for each of the original six members declined (see Table 5).[15] For the later enlargements, the total number of votes was increased to accommodate new members, but the number for existing members remained constant. Once again, the share of the total for the existing members declined without becoming an issue.

The situation changed, however, when the Single European Act (SEA) was adopted in 1986 in order to facilitate decision-making on issues and implementation of measures related to completion of the Single Market by the end of 1992 (Moravcsik 1991; Moravcsik 1993, 507-517). The pooling of sovereignty inherent in an institutional reform like qualified majority voting is acceptable to governments if it allows them to reach—or to reach more efficiently compared to the greater time and energy expended in ad hoc negotiation—cooperative solutions or outcomes that are superior to what an individual government could achieve on its own. The consistent rules, norms and decision-making procedures allow governments to reduce the costs of identifying, reaching and maintaining mutually beneficial agreements (Krasner 1983; Keohane 1984). Of course, greater uncertainty about the purposes to which the new instrument will be put and about potential outcomes accompanies the reduction in member state autonomy. When the member states have shared goals, the political risk involved in this tradeoff is minimized. But in those issue areas where the interests of individual governments, or the interests of the domestic groups on whose support they depend, diverge, the political risk of being outvoted and subject to

[15]Shares of total votes are omitted from the table to avoid clutter and because they are unimportant prior to the reforms that inaugurated regular use of qualified majority voting Even then, the important point is the share of a member state in achieving a blocking minority that would protect its threatened interests.

adverse binding decisions exists.

If only a limited or relatively trivial set of issues was subject to qualified majority voting, political risk would not be an issue. But with the SEA and the further extensions under the Maastricht Treaty, qualified majority voting is now the most frequently used form of decision-making (*European Report*, 30 March 1994), and it is used to reach decisions on a multitude of important issues: trade policy, state subsidies and competition policy, the free movement of capital, farm policy, transport policy, regional aid, the budget, and some aspects of environmental, health and safety, research and technology, and social policies. In the context of the SEA and Maastricht, member state governments calculated that the benefits of greater decision-making efficiency outweighed the increased political risk of more uncertain outcomes that could be damaging to national interests or the interests of key domestic groups. But as the proportion of decisions to be taken unanimously declined along with the relative weight of the member states, the stakes pertaining to institutional design increased.

Two indices developed to quantify the influence a group member has when its defection from a coalition would undermine a majority vote, the Banzhaf power index, which considers every theoretically possible coalition, and the Shapley-Shubik power index, which reflects the fact that members with smaller numbers of votes will tend to form larger coalitions than larger members, further confirm the relative loss of influence that existing members face with each successive enlargement that is unaccompanied by a reapportionment of votes (Hosli 1993). Paradoxically, only Luxembourg, holder of a mere two votes, increases its chances of turning a losing coalition into a winning one.[16]

In the course of the latest enlargement—the first after the reforms that greatly enhanced the use of qualified majority voting—the potential conflict burst into public view. Decisions taken at the Lisbon summit in June 1992 and reconfirmed at the Edinburgh summit in December 1992 attempted to put off institutional questions until the Intergovernmental

[16]Hosli's work builds on the conclusions of Brams 1985; and Brams and Affuso 1985. Hosli also notes that some coalitions are more likely to form than others and cites Brams, Doherty and Weidner 1994, who attempt to capture part of this reality by recalculating the Banzhaf index in the present Council on the assumption that France and Germany each have a de facto veto.

Conference (IGC) in 1996. Ten governments interpreted this agreement to mean that precedent would be followed, that the new members would receive votes roughly in line with their size, that the votes of the existing members would remain the same and that the number required for a qualified majority would be adjusted to maintain the traditional seventy percent margin (see Table 5). The United Kingdom and Spain, however, wanted to maintain the number required for a blocking minority at 23, which in effect would have lowered the blocking hurdle from thirty to 25.6 percent of the total votes.[17]

The crucial point is that under the old system (i.e., from 1986 to 1993), two large states and one small state, other than Luxembourg, could form a blocking coalition. This protection would no longer be available if the required votes increased to 27 with Norway's participation or to 26 without Norway. In this case, an additional member state would have to be recruited to join the blocking minority.[18] Although the Council does not yet publish information about the number of actual votes and the positions taken by member states,[19] a free trade blocking minority of the UK, Germany and either the Netherlands or Denmark is said to have been employed at times in the past and would be more difficult to construct in the future (Barber, 24 March 1994). The British also complained that because votes are biased towards the smaller members,[20] a failed blocking minority could consist of two large and two small states with over forty percent of the EU population (Gardner, 8 March 1994).

---

[17]The proposed arrangements for the EU of sixteen that would have resulted if Norway had approved membership in its November 1994 referendum and assumed its three votes in the Council of Ministers were

Total Votes	90
Qualified Majority	64 (71 1 percent)
Blocking Minority	27

[18]In percentage terms, the share of a large state like the UK in a blocking coalition would drop from 43.5 percent under the old system to 37 percent with entry of all four applicants Without Norway it is 38 5 percent

[19]Even greater openness by the Commission would not capture all of the effect of the shift toward qualified majority voting. The mere existence of the procedure leads member states to intensify the search for a consensus even without actually employing a vote. A 1988 Commission report noted that potential recourse to the procedure induced greater flexibility during debates and thus facilitated decision-making. See Keohane and Hoffmann 1991, 7.

[20]e.g , Germany has one vote for every eight million people, the Netherlands one per three million, and Luxembourg one for every 186,000

Spain supported the British position on maintaining the blocking minority at 23 because it would then remain able to combine with Italy and Greece to protect Mediterranean farming and regional interests. In addition, Spain worried about the prospect of a shift toward the interests of the north in terms of limits on the transfer of resources *(Economist* 12 March 1994) and the possibility that the addition of stronger economies in the north might lead the single currency train to depart before it was able to board (*European Report* 5 March 1994).

After repeated ministerial failures to reach agreement, recriminations all around, and threats by the Benelux members and the EP to refuse to ratify any enlargement treaty that watered down the decision-making capacity of the EU, Spain, and then Britain, succumbed to the looming deadlines and accepted a "compromise" that was more fig leaf than substance. The number for a blocking minority would rise but some additional efforts would be employed to search for a compromise consensus on decisions that were opposed by coalitions that mustered between 23 and 27 votes. Any member state could, however, call for a vote to cut off debate and proceed to a qualified majority vote. Moreover, the rules of procedure required only a simple majority to do so.[21]

Prime Minister Major and his government were pilloried in the press when they tried to sell the empty compromise at home (*Economist* 2 April 1994; Barber, 31 March 1994). They had allowed the Euro-sceptics to miscast the issue as one of defending the British veto and, coming on the heels of compromises over other issues, the matter became blown out of all proportion. After all, the range of issues on which the UK was likely to find itself in an aspiring blocking minority between 23 and 27 votes in the period up to the 1996 IGC—when institutional arrangements were to be addressed—could not have been wide. Instead, by attempting to foster Tory unity ahead of local elections in May and the EP election in June, where Conservatives were expected to suffer heavy losses, and in miscalculating the willingness of Britain's partners to push ahead with enlargement at any price, the Major government squandered any good will it had built up with the applicants through its previous

[21]See Wennerlund 1994, 11-26, for details of the competing proposals, the conclusion of the negotiations to bring in the EFTA applicants, and the resulting fallout in the UK.

support of enlargement, and British influence within the institution was likely to be diminished in the run-up to the all-important IGC.

6. Conclusion

Any expansion in the membership of the Community leads to a redistribution of the costs and benefits of membership among and within existing member states. This paper presented a framework to explain how existing member states form national preferences in regard to the trade, budgetary, and institutional effects of enlargement. The next step is obviously to apply the framework to the domestic political economies of the most important member states, Germany, France and the United Kingdom.

From the analysis presented in sections 4 and 5, future enlargements are likely to be even more contentious than those in the past, especially in light of economic circumstances in the likely future applicants. The limits of compensation through the Community budget for those groups that are likely to lose from enlargement may already have been reached and economic conditions in the existing member states makes domestic compensation extremely difficult. The costs of simply expanding Community programs to the east is prohibitive. Enlargement without significant reforms is hard to imagine. And resources are not the only issue. Institutional questions are sure to occupy center state at the upcoming IGC. In this environment, instead of the next great leap for Community integration, the outcome is much more likely to be some variegated version of the EU, the hard core of the German CDU, French concentric circles or Major's multi-speed.

Table 1. *Enlargement of the EC and the EU*

Countries		Request for Accession	Commission's Opinion	Opening of Accession Negotiations	Accession Treaty	Full Membership
United Kingdom	(1)	8-10-61	—	10-10-61	a	—
	(2)	5-10-67	9-29-67	6-30-70	1-22-72	1-1-73
Denmark	(1)	8-10-61	—	10-26-61	—	—
	(2)	5-11-67	9-29-67	6-30-70	1-22-72	1-1-73
Ireland	(1)	7-31-61	—	—	—	—
	(2)	5-11-67	9-29-67	6-30-70	1-22-72	1-1-73
Norway	(1)	4-30-62	—	7-4-62	—	—
	(2)	7-21-67	9-29-67	6-30-70	1-22-72	b
	(3)	11-25-92	3-24-93	4-5-93	6-24-94	d
Greece		6-12-75	1-29-76	7-27-76	5-28-79	1-1-81
Portugal		3-28-77	5-19-78	10-17-78	6-12-85	1-1-86
Spain		7-28-77	11-29-78	2-5-79	6-12-85	1-1-86
Turkey		4-14-87	12-14-89	—	—	—
Austria		7-17-89	8-1-91	2-1-93	6-24-94	1-1-95
Cyprus		7-4-90	6-30-93	—	—	—
Malta		7-16-90	6-30-93	—	—	—
Sweden		7-1-91	7-31-92	2-1-93	6-24-94	1-1-95
Finland		3-18-92	11-4-92	2-1-93	6-24-94	1-1-95
Switzerland		5-26-92	c	—	—	—
Hungary		4-1-94	—			
Poland		4-8-94	—			

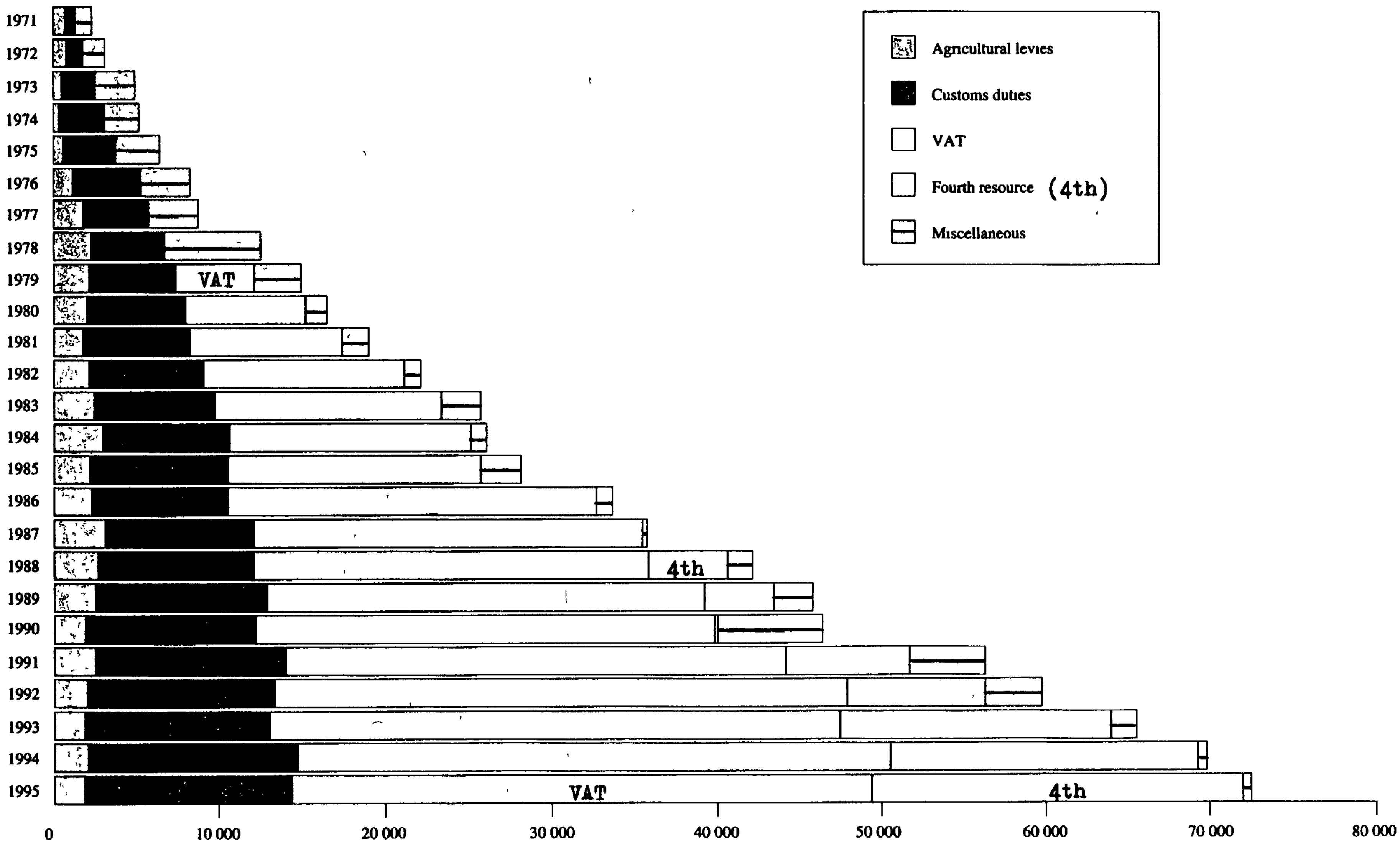
[a] De Gaulle vetoed the membership bid on 1-14-63
[b] Norway rejected membership by a referendum on 9-24-72
[c] No further developments are expected after the Swiss "No" in a referendum on participation in the European Economic Area on 12-12-92.
[d] Norway rejected membership by a referendum on 11-28-94

Sources: Adapted from Granell 1995, 119, Nicholson and East 1987

Figure 1

Community revenue from 1971 to 1995

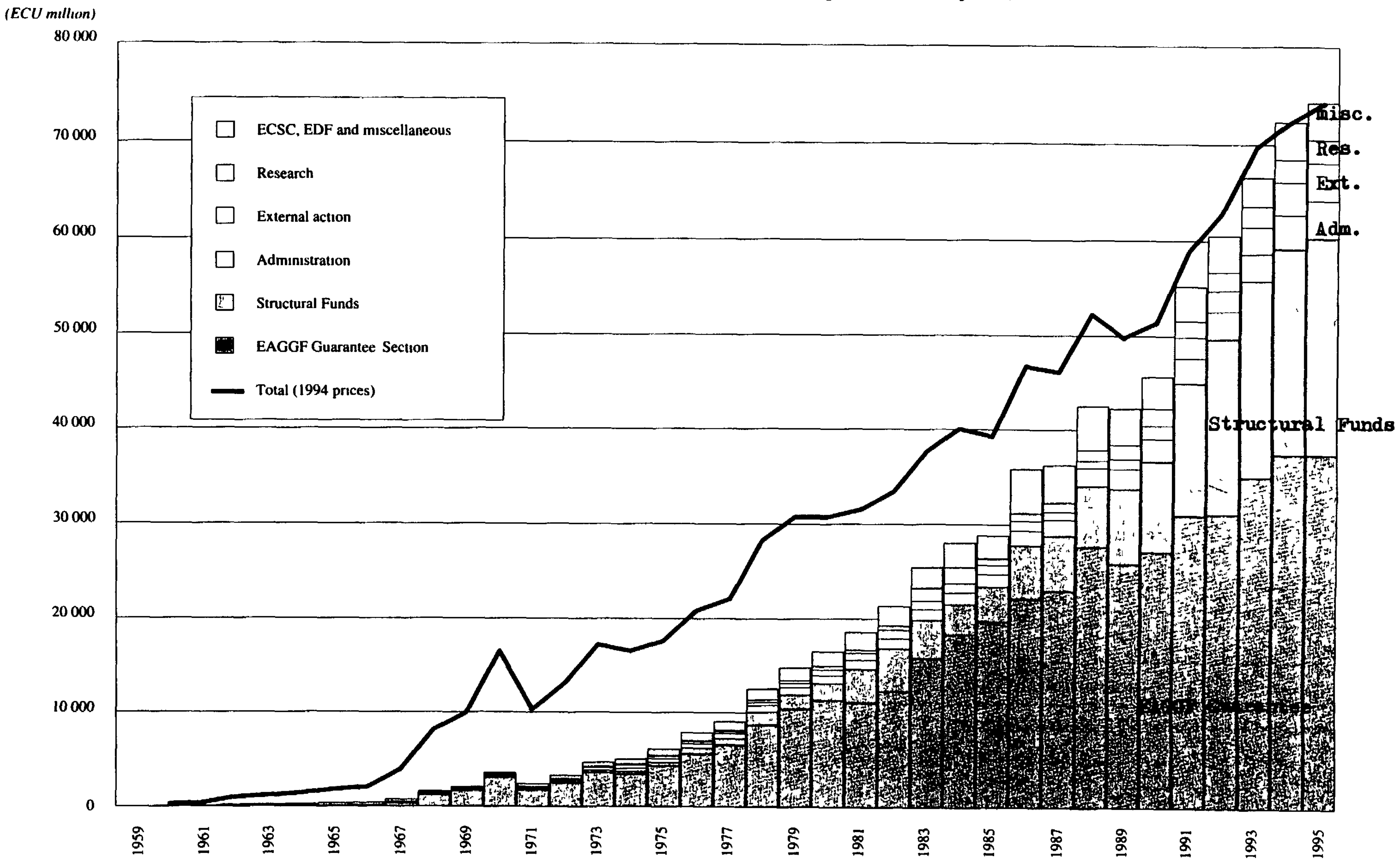
(ECU million)



Source Commission of the European Communities 1994a, 40

Figure 2

Community expenditure from 1958 to 1995 (at current prices and 1994 prices)



Source Commission of the European Communities 1994a, 29

Table 2. *Structure of Community budget expenditure*

ECU Million and (%)

Heading	1979		1982		1985		1988		1991		1994[1]	
General Budget	ECU million	(%)										
EAGGF Guarantee Section	10 387 1	(70 3)	12 259 8	(57 6)	19 727 8	(68 4)	27 635 2	(65 0)	30 960 8	(56 1)	37 465 0	(51 8)
Structural Funds, of which	1 515 5	(10 3)	4 570 1	(21 5)	3 702 9	(12 8)	6 419 3	(15 1)	13 971 0	(25 3)	21 528 8	(29 7)
—EAGGF Guidance Section	286 5	(1 9)	650 8	(3 1)	685 5	(2 4)	1 140 9	(2 7)	2 085 4	(3 8)	3 301 0	(4 6)
—ERDF	699 0	(4 7)	2 905 4	(13 6)	1 610 0	(5 6)	2 979 8	(7 0)	6 306 8	(11 4)	7 702 0	(10 6)
—ESF	530 0	(3 6)	1 013 9	(4 8)	1 407 4	(4 9)	2 298 6	(5 4)	4 030 0	(7 3)	5 819 0	(8 0)
—Cohesion Fund											1 679 0	(2 3)
Research	267 6	(1 8)	437 3	(2 1)	677 9	(2 4)	1 129 5	(2 7)	1 706 3	(3 1)	2 555 4	(3 5)
External Action	443 7	(3 0)	891 2	(4 2)	963 8	(3 3)	768 1	(1 8)	2 209 6	(4 0)	3 348 3	(4 6)
Administration	775 6	(5 2)	1 048 2	(4 9)	1 304 8	(4 5)	1 915 7	(4 5)	2 656 4	(4 8)	3 617 6	(5 0)
Repayments and other	831 2	(5 6)	1 263 0	(5 9)	1 490 1	(5 2)	3 153 9	(7 4)	2 146 1	(3 9)	1 498 5	(2 1)
General Budget—Total	14 220 7	(96 3)	20 469 6	(96 1)	27 867 3	(96 7)	41 021 7	(96 5)	53 650 2	(97 3)	70 013 5	(96 7)
EDF	465 3	(3 1)	647 2	(3 0)	698 0	(2 4)	1 196 3	(2 8)	1 191 3	(2 2)	1 970 0	(2 7)
ECSC	87 5	(0 6)	184 0	(0 9)	267 9	(0 9)	277 2	(0 7)	314 3	(0 6)	393 0	(0 5)
Grand Total (100)	14 773 5		21 300 8		28 833 2		42 495 2		55 155 8		72 376 5	

[1] 1994 budget

Source European Commission 1994a

Table 3. *EAGGF Payments to Member States, 1980-1993*

(million ECU)

	1980	1983	1985	1988	1990	1993[1]
Belgium	596.3	630.0	928.7	732.8	877.9	1298.8
Denmark	639.0	701.2	842 3	1183.8	1110.6	1332.3
Germany	2593.5	3183.5	3706 6	4638.6	4100.9	4862.0
Greece	—	1029.3	1276.3	1452.0	2174.4	2718.5
Spain	—	—	—	1870.7	2292.0	4188.2
France	2960.6	3748.6	4755.6	6294.1	5388.4	8167.7
Ireland	603.4	703.5	1239.9	1072.7	1676.9	1606.4
Italy	1921.0	2923.5	3586 2	4314.1	4170.8	4773.3
Luxembourg	12.6	4.8	6.6	5.1	10.7	6.8
Netherlands	1565.2	1740.0	2065.5	3774.7	2648.8	2299 4
Portugal	—	—	—	256.9	459.4	479.1
United Kingdom	984.4	1840.6	2004.1	1929.5	1886.8	2679.0
EC-12	11876.0	16505.0	20411.8	27525.0	26804.8	34423.3

Notes: EAGGF payments consist of guarantee and guidance expenditures Outlays on a number of specific structural measures have not been included. Figures for Spain, Portugal and Greece reflect transitional arrangements after accession and thus do not reflect full participation.

[1]Updated figures for 1993 are not adjusted and so not strictly comparable

Sources Court of Auditors annual reports, updated from Tsoukalis 1993, 269

Table 4. *Divergence of GDP per capita, 1960-1994*

	1960	1970	1975	1980	1985	1990	1994	
Belgium	98 1	101 8	106 0	107 0	104.6	103 9	106 2	
Denmark	116 6	113.6	108.7	106 3	114 1	105 4	108 5	
Germany	123 3	117.7	114 6	118.2	118 7	116.9	115 3	(103 3) [1]
Greece	34 9	46 7	51 7	52 6	51 3	47 0	48.5	
Spain	59 0	73 0	79.4	72 0	70.4	74 8	75.5	
France	106 3	111 3	113 3	113 1	111 8	110.4	109 3	
Ireland	60 0	58 8	61 9	63.1	64 7	71 1	79 9	
Italy	86.6	95 6	94 9	102 9	103 3	103.6	104 9	
Luxembourg	153 4	138 2	124 3	116 0	120.2	126 3	133 6	
Netherlands	115 5	112.9	112.4	108 0	104 2	101.6	100 1	
Portugal	37 9	47 4	50.5	53.0	51 3	55.7	60 4	
United Kingdom	123 9	104.6	102 0	97.4	100 7	101 2	99 7	
EUR-12	100.0	100 0	100 0	100.0	100.0	100.0	100.0	(97.9) [2]

1 Unified Germany
2 EUR-12 including unified Germany

Note GDP per capita is given at current market prices and purchasing power parities.

Source· Commission of the European Communities 1994c

Table 5. *Net Transfers from EC Budget, 1980-1993*

(Receipts minus contributions expressed in millions ECU and as % of national GDP)

	1980		1982		1984		1986		1988		1990		1993[1]	
	million ECU	%		%		%		%		%		%		%
Belgium	-273 4	-0 32	-499 0	-0 57	-398 2	-0 41	-283 9	-0 25	-995 0	-0 79	-773 9	-0 54	59 6	0 03
Denmark	333 9	0 70	228 3	0 40	487 2	0 70	421 1	0 50	350 9	0 38	422 5	0 42	376 9	0 33
Germany	-1670 0	-0 28	-3171 7	-0 47	-3033 1	-0 39	-3741 8	-0 41	-6107 1	-0 60	-5550 4	-0 49	-11830 3	-0 74
Greece	—	—	604 3	1 53	1008 2	2 34	1272 7	3 10	1491 6	3 30	2470 2	4 90	4136 7	6 59
Spain	—	—	—	—	—	—	94 9	0 04	1334 3	0 46	1711 3	0 47	3090 4	0 76
France	380 4	0 08	-827 3	-0 15	-459 8	-0 07	-561 5	-0 07	-1780 9	-0 22	-1804 9	-0 20	-1019 6	-0 10
Ireland	687 2	5 00	671 5	3 50	924 1	4 01	1230 3	4 90	1159 3	4 30	1892 5	6 19	2371 9	6 05
Italy	681 2	0 21	911 4	0 22	1519 0	0 29	-130 3	-0 02	124 2	0 02	-416 7	-0 05	-1525 4	-0 18
Luxembourg	-5 1	-0 15	-24 3	-0 67	-40 1	-0 93	-59 3	-1 20	-67 4	-1 20	-60 0	-0 97	189 6	2 20
Netherlands	394 5	0 32	86 9	0 06	434 8	0 27	167 5	0 10	1150 0	0 60	368 4	0 17	-1326 6	-0 50
Portugal	—	—	—	—	—	—	219 0	0 73	514 9	1 45	600 8	1 44	2508 4	3 90
United Kingdom	-1364 6	-0 35	-1193 6	-0 24	-1337 0	-0 24	-1438 4	-0 26	-2070 0	-0 30	-3386 9	-0 45	-3125 8	-0 39

Note Approximately 10% of all expenditure cannot be apportioned among the member states and thus the aggregate of member states contributions exceeds the total for receipts

[1]Updated figures for 1993 are not adjusted, thus the ECU amount is not strictly comparable In addition, 1993 figures include receipts for administration, which explains much of the apparent change for Belgium and Luxembourg

Sources Court of Auditors annual reports, updated from Tsoukalis 1993, 271

Table 6. *Distribution of votes in the Council of Ministers and qualified majority voting*

Country	1958-73	1973-81	1981-85	1986-93	1994-
Original Members					
Belgium	2	5			
France	4	10			
Germany	4	10			
Italy	4	10			
Luxembourg	1	2			
Netherlands	2	5	Voting weight for existing members unchanged with subsequent enlargements		
First Enlargement					
Denmark		3			
Ireland		3			
United Kingdom		10			
Second Enlargement					
Greece			5		
Third Enlargement					
Portugal				5	
Spain				8	
Fourth Enlargement					
Austria					4
Finland					3
Sweden					4
Total	17	58	63	76	87
Qualified Majority	12 (70.6%)	41 (70.7%)	45 (71.4%)	54 (71.8%)	62 (71.3%)
Blocking Minority	6	18	19	23	26

REFERENCES

Alt, James, Jeffry Frieden, Michael Gilligan, Dani Rodrik, and Ronald Rogowski. Unpublished manuscript. The Political Economy of Trade: Enduring Puzzles and an Agenda for Inquiry

Alt, James, and Michael Gilligan. 1994. The Political Economy of Trading States: Factor Specificity, Collective Action Problems and Domestic Political Institutions. *The Journal of Political Philosophy* 2: 165-192.

Barber, Lionel. 24 March 1994. On the brink of breakdown. *Financial Times*, 13.

Barber, Lionel. 31 March 1994. How the British blundered in Brussels. *Financial Times*, 2

Brams, Steven J. 1985. *Rational Politics: Decisions, Games and Strategy*. Washington, D.C.: Congressional Quarterly Press.

Brams, Steven J., and Paul J. Affuso. 1985. New Paradoxes of Voting Power on the EC Council of Ministers. *Electoral Studies* 4: 135-39.

Brams, Steven J., Ann E. Doherty and Matthew L. Weidner. 1994. Game Theory and Multilateral Negotiations: The Single European Act and the Uruguay Round. In *The Analysis of Multilateral Negotiation*, .ed. I. William Zartman, 95-112. San Francisco. Jossy-Bass.

Bulmer, Simon and William Paterson. 1987. *The Federal Republic of Germany and the European Community*. London: Allen & Unwin.

Camps, Miriam. 1966. *European Unification in the Sixties: From the Veto to the Crisis*. New York: McGraw-Hill.

Commission of the European Communities. 1994a. *The Community budget: The Facts in figures.*

Commission of the European Communities. 1994b. Court of Auditors Annual Report. *Official Journal of the European Communities*. 97/C 327/01 (24 November 1994).

Commission of the European Communities. 1994c. Statistical annex. *European Economy*. No. 58.

Denton, Geoffrey. 1984. Re-Structuring the EC Budget: Implications of the Fontainebleau Agreement. *Journal of Common Market Studies* 23: 117-140.

Economist. 12 March 1994. Indigestion strikes Europe, 53-54.

Economist. 2 April 1994. Britain's European headache, 16-17.

European Report. 5 March 1994. And where does it go from here? 1931, I: ii.

European Report. 30 March 1994. Council mulls over institutional compromise which satisfies no one. 1938, I: 3.

Frieden, Jeffry A., and Ronald Rogowski Forthcoming. The Impact of the International Economy on National Policies: An Analytical Overview. In *Internationalization and Domestic Politics*, ed. Robert O. Keohane and Helen V. Milner.

Garrett, Geoffrey, and Peter Lange. Forthcoming. Internationalization, Institutions, and Political Change. In *Internationalization and Domestic Politics*, ed. Robert O. Keohane and Helen V. Milner.

Gardner, David. 8 March 1994. EU weighs up the votes and the cod. *Financial Times*, 2.

Gourevitch, Peter. 1978. The Second Image Reversed: The International Sources of Domestic Politics. *International Organization* 32: 881-912.

Gourevitch, Peter. 1986. *Politics in Hard Times: Comparative Responses to International Economic Crises*. Ithaca: Cornell University Press.

Granell, Francisco. 1995. The European Union's Enlargement Negotiations with Austria, Finland, Norway and Sweden. *Journal of Common Market Studies* 33: 117-137.

Hosli, Madeleine O. 1993 Voting Power in the EC Council of Ministers. *International Organization* 47: 629-643.

Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca: Cornell University Press.

Keohane, Robert O. 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton: Princeton University Press.

Keohane, Robert O., and Stanley Hoffmann. 1991. Institutional Change in Europe in the 1980s. In *The New European Community: Decisionmaking and Institutional Change*, ed. Keohane and Hoffmann, 1-39. Boulder, Colo.: Westview Press.

Keohane, Robert O., and Helen V. Milner. Forthcoming. Internationalization and Domestic Politics. In *Internationalization and Domestic Politics*, ed. Keohane and Milner.

Krasner, Stephen D. 1983. Structural Causes and Regime Consequences: Regimes as Intervening Variables. In *International Regimes*, ed. Krasner, 1-21. Ithaca: Cornell University Press.

Krugman, Paul R. 1991. *Geography and Trade*. Cambridge, Mass.: MIT Press.

Magee, Stephen P., William A. Brock and Leslie Young. 1989. *Black Hole Tariffs and Endogenous Policy Theory*. Cambridge. Cambridge University Press.

Milner, Helen V 1988. *Resisting Protectionism: Global Industries and the Politics of International Trade.* Princeton: Princeton University Press.

Moravcsik, Andrew. 1991. Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community. *International Organization* 45: 19-56.

Moravcsik, Andrew. 1993. Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach. *Journal of Common Market Studies* 31: 473-524.

Nicholson, Frances, and Roger East. 1987. *From the Six to the Twelve: The Enlargement of the European Communities.* Harlow, Essex, UK: Longman.

Nicoll, William. 1988. The Long March of the EC's 1988 Budget. *Journal of Common Market Studies* 27: 161-169.

Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, Mass.: Harvard University Press.

Putnam, Robert D. 1988. Diplomacy and Domestic Politics: The Logic of Two-Level Games. *International Organization* 42: 427-460.

Rogowski, Ronald. 1989. *Commerce and Coalitions: How Trade Affects Domestic Political Alignments*. Princeton: Princeton University Press.

Shackleton, Michael. 1993. Keynote Article: The Delors II Budget Package. *Journal of Common Market Studies* 31 (Annual Review, August 1993): 13-25.

Tsoukalis, Loukas. 1993. *The New European Economy: The Politics and Economics of Integration*. 2nd ed. New York: Oxford University Press.

Wennerlund, Kip. 1994. *International Bargaining and Domestic Politics in the EFTA Expansion of the European Union*. Paper for American Political Science Association conference.

Yannopoulos, George. 1989. The Management of Trade-Induced Structural Adjustment: An Evaluation of the EC's Integrated Mediterranean Programmes. *Journal of Common Market Studies* 27: 283-301.