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Discriminatory European Union Membership and the Redistribution of Enlargement Gains

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Conflicts between European Union (EU) members about enlargement result from its redistributive effects. EU members are more likely to suffer from enlargement if they profit from EU transfers and if they are relatively close to applicant countries in which unemployment is significantly higher than in member countries. Phasing in membership rights serves to compensate the relative losers of enlargement to accomplish EU widening. Using data from all previous enlargement rounds until 2004, we demonstrate that EU members are more likely to demand a discrimination of new members if distributional conflicts arise. The existence of these distributional conflicts in turn increases the odds of EU members and the accession candidates actually agreeing on a phase-in period.

Keywords: *European Union; discriminatory membership; EU enlargement; Eastern enlargement*

Virtually all European Union (EU)[1] enlargement rounds triggered political conflicts and tensions between the accession countries and a group of member states fearing that enlargement would reduce their gains from membership. For example, when Spain and Portugal sought membership, Greece expected a decline in structural transfers from the EU. In the same vein, the French government anticipated a drain of agricultural subsidies as a consequence of EU Eastern enlargement because of the large and inefficient primary sector in Poland. Although these

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expectations were partly exaggerated, distributional conflicts potentially imperil enlargement since—because of the unanimity rule—each single EU member can refuse to admit applicant countries.

Therefore, the development of the European Coal and Steel Community with its limited responsibility and membership of six countries into the present state of the EU with its almost Pan-European membership of twenty-seven countries may come as a surprise. With the noteworthy exception of France's veto to British membership in 1963, conflicts over granting EU membership to applicant countries never escalated. In retrospect, the history of the Union's enlargement almost appears as a smooth and quasinatural success of political reason over nationalism and patriotism made possible by a historical commitment of EU members. Yet this interpretation of the EU's various enlargement rounds is partly misleading. EU members neither ignored the distributional conflicts emanating from granting membership rights to applicant countries, nor did they neglect their immediate economic interest for the sake of higher community values.

We argue that virtually all conflicts in previous enlargement rounds were resolved by a redistribution of enlargement gains at the expense of either the candidate states or the relative winners of enlargement within the Union. The EU's Eastern enlargement was accomplished because after long and heated debates, most of the accession countries agreed to be temporarily excluded from agricultural subsidies, structural aid, and the free movement of labor as a means of paving their way to the European club.

More generally, the temporary discrimination of new members under certain conditions mitigates enlargement conflicts. Transitional restrictions to the newcomers' membership rights thus serve as one useful instrument to deal with enlargement conflicts. While temporary discriminatory membership does not lead to a permanent second-class membership for acceding states, it may compensate the relative losers of enlargement.

Evidence from the five EU enlargement rounds supports this interpretation. We find that the demand for discrimination is closely associated with distributional conflicts between current members and applicants and with expected labor migration. Affected EU members were more likely to oppose enlargement and to insist on the temporary discrimination of accession countries if those states were to become net recipients of EU transfers and net exporters of cheap labor. More important, distributional conflicts did not only cause a request for discrimination. Countries requesting temporary discrimination of new members were typically successful. This suggests that the redistribution of gains from accession countries to EU members expecting relative enlargement losses facilitated enlargement.

Enlargement and Distributive Conflicts in the Literature

Theories of EU enlargement are divided along the lines of rational choice approaches on one hand and constructivist approaches on the other hand.[2] We will

not provide yet another account of the rationalist-constructivist debate. Rather, we briefly discuss both approaches' contributions to the analysis of EU enlargement and by doing so, seek to identify the loopholes in the enlargement literature.

The constructivist-rationalist debate on EU enlargement centers on whether EU enlargement was Pareto efficient for all EU member states *and* the candidate states.[3] Indeed, evidence suggests that enlargement was not Pareto efficient in every enlargement round. The Southern and the Eastern enlargements of the EU were particularly complicated by distributional conflicts emanating from the distribution of EU redistribution schemes and from the free movement of labor.

Rational explanations of EU enlargement tend to claim that the costs of enlargement were still too small to create significant political tensions. Moravcsik and Vachudova (2003) state that the net enlargement gains were asymmetric but still positive for both EU member states and applicant states. Although enlargement was beneficial for members and nonmembers, the acceding states were to gain much more than the EU member states. Their weak bargaining position forced candidates into agreements in which they conceded many of those benefits in favor of the current member states. Hence, while the outcomes of the accession negotiations were influenced by asymmetric interdependencies, Eastern enlargement only produced winners among EU member states and enlargement was not at stake (Moravcsik and Vachudova 2003, 46ff.).

Even if this were true, the distribution of gains could be largely uneven. In this case, conflicts still occurred over the distribution of enlargement gains. During the Eastern enlargement negotiations, conflicts arose between the net contributors to the EU budget and the recipients of the EU transfer schemes. The "brakemen" (Spain, France, Greece, Italy, Ireland, Portugal, Belgium, the Netherlands, and Luxembourg) expected reductions in transfers from the EU and threatened to reject the admission of further states to the Union (Schimmelfennig 2003).

Since the Eastern enlargement round was still successful, constructivists claim that "an exclusive focus on utility cannot capture the enlargement policy" (Sjursen 2002, 499). As Schimmelfennig (2001) points out, if some EU members expect to lose from enlargement, then there are only "two ways in which a state that does not reap net benefits from enlargement can be made to agree to the admission of a new member. On the one hand, enlargement will be possible if the losers are fully compensated through side payments and other concessions by the winners, and if these concessions do not surpass the winners' benefits from enlargement. On the other hand, the losers will consent to enlargement if the winners are able to threaten them credibly with exclusion and if the losses from exclusion exceed the losses from enlargement" (p. 54). According to Schimmelfennig, the losers of EU enlargement did not receive any concessions. He writes, "Neither the Central and Eastern European countries nor the 'drivers' among the EU members possessed sufficient bargaining power to change the balance of costs and benefits for the 'brakemen' in favor of Eastern enlargement" (Schimmelfennig 2001, 54). Rather,

the admission of further states to the Union was accomplished only because the drivers of enlargement referred to a historically developed pan-European vision and rhetorically entrapped the brakemen of enlargement into accepting enlargement despite the expected costs (Schimmelfennig 2001, 2003).

We will discuss evidence to the contrary and show that EU members used temporarily limited membership rights to redistribute enlargement gains from accession countries to the laggards among EU members. Union members have control over several re-distributional mechanisms, which effectively alter the distribution of enlargement costs and gains. The proponents of enlargement may, for example, offer to raise their budgetary contributions or to receive only a limited amount of the distributed funds. Alternatively, the candidate states could agree on restricted membership rights when entering the EU.[4]

Remaining within the rational paradigm and by linking strategies of temporary discrimination to the fate of enlargement, our argument contrasts with both approaches to enlargement. On one hand, we join forces with Schimmelfennig in criticizing previous rational choice approaches for neglecting the costs of enlargement and in particular, the uneven distribution of gains across EU member states. On the other hand, we argue—contrary to Schimmelfennig—that the success of enlargement did not depend on the ''entrapment'' of the brakemen of enlargement. Rather, the drivers of enlargement, the brakemen, and the candidates negotiate the distribution of the enlargement gains such that all EU governments approve the accession of further states to the Union.

Distributional Conflicts and EU Enlargement Negotiations: The Politics of EU Enlargement

This section suggests a rational theory of EU enlargement. We first discuss the distributional consequences and the resulting conflicts of EU enlargement. And second, we argue that the discrimination of new members may be sufficient to overcome the potential for deadlock and demonstrate that even a temporary discrimination of new members suffices to let the potential losers of enlargement abstain from casting their veto.

The Distributional Consequences of Enlargement

By removing barriers to trade, investment, and people, by standardizing in fields with scale economies, and perhaps even by redistributing income from relatively wealthy to relatively poor regions, the EU has created an economic space conducive to business activity. Thereby European integration has contributed to large welfare gains in Europe. Recent estimates suggest that since the early 1950s, European integration explains about 0.8 percent of economic growth in member

countries (Henrekson, Torstensson, and Torstensson 1997). According to the more conservative estimates by Harald Badinger (2005), ''GDP per capita of the EU would be approximately one-fifth lower today, if no economic integration had taken place since 1950'' (p. 52). What worked well in the past should also work well in the future. Accordingly, EU members did not per se doubt to obtain welfare gains from enlargement originating from market integration and harmonization of standards—forces that already had fostered prosperity during the early days of European integration.

Aggregate gains of Eastern enlargement also result from a stabilization of political and economic affairs in the accession countries, which in turn leads to a reduction of poverty migration to the West and the complete abolition of barriers to trade and capital controls (Mattli and Plümper 2002, 552-6). Although the magnitude remains unknown, those gains are concentrated on countries that are geographically close to the new members—Sweden, Denmark, Germany, and Austria. The other EU countries will potentially suffer less from labor migration, but they still have to expect a reduction in agricultural subsidies and structural aid flows.

Yet market integration also causes structural changes, which will redistribute income not only across sectors within the EU countries but also between EU countries.[5] The EU Eastern enlargement will adversely affect labor-intensive and low-tech sectors in EU member countries but will stimulate growth of skill-intensive service industries and some capital-intensive and high-tech industries in Western Europe. In addition, some European institutions contribute to reallocating income within and between members. The two major European redistribution schemes (the European Agricultural Guidance and Guarantee Fund [EAGGF] and the European Reconstruction and Development Fund [ERDF]) induce tensions because EU members seek to preserve their vested rights against relatively poor applicants with large agricultural sectors and less advanced infrastructures. Moreover, policy areas in which the EU has moved beyond a mere free-trade area are particularly prone to conflict. EU members question the free movement of labor if wage differentials are high and labor markets stressed because they (correctly) anticipate that migration tends to be unidirectional.[6] If applicant countries are economically weak—in particular, if wages are low and unemployment high—the odds are high that these countries will export workers without at the same time attracting job searchers in current EU member states.

The Mediterranean EU member states, for example, feared that the accession of Spain and Portugal in the 1980s would not only tremendously reduce their share of structural aid. Those countries also competed in the production of olive oil and fruits and vegetables. The Greek prime minister consequently conditioned a successful conclusion of the enlargement talks on an agreement about a structural package for the Mediterranean regions (*Financial Times* 1984). This included an increase in structural transfers and the creation of the Integrated Mediterranean Programs, with a volume of more than six billion European Currency Units (ECU).

In both earlier enlargement rounds, conflict emerged along similar lines. During the negotiations leading to the first Northern enlargement in 1973, several governments demanded a continued protection of their labor markets against migration from the United Kingdom. The United Kingdom, at that point in time, was still economically relatively weak, and some of the EU member states seemed particularly attractive to British workers. Similar tensions complicated negotiations leading to the two Southern enlargements and the Eastern enlargement.

Redistribution of Enlargement Gains and the Potential for Conflict Resolution

These distributive conflicts pose a significant obstacle to enlargement since all EU members have to unanimously approve the accession of states to the Union. Hence, the potential losers of enlargement can always decide to reject the admission of further states if the gains and costs are not redistributed to compensate them for their losses. EU members that are positively affected, on the other hand, have an incentive to push through enlargement. Furthermore, although governments in applicant countries signaled their intention to become members by submitting a formal application to the EU, they have continuously stated that they do not accept membership under all conditions. Accordingly, the main task of the enlargement negotiations is to find a Pareto efficient agreement—one that simultaneously makes all three groups—applicants, relative winners, and relative losers among the members better off without discriminating too much among members.

The settlement of enlargement conflicts requires the redistribution of the enlargement gains from the applicants and/or the relative winners among the Union members to the relative losers. In general, there is always a redistribution scheme that renders enlargement Pareto efficient as long as the aggregate net gains from enlargement exceed the costs of redistribution.

Historically, the EU tried to achieve Pareto efficiency by two principal measures. First, relative winners among the insiders offered an increase in their contributions to the budget. If the increase in contributions is large enough to compensate the relative losers but too small to erode the gains of relative winners, Pareto efficiency is achieved. The second possibility involves the beneficiaries of enlargement accepting smaller gains in certain policy areas. If, as a consequence, the relative losers among EU members profit from the accession countries' limited access to Union benefits, Pareto efficiency can again be ensured. Consider the Common Agricultural Policies (CAP) of the European Union as an example. If some members agree to be eligible for a smaller share of agricultural subsidies than they would be entitled to, then the losers of enlargement could be compensated. The same applies to new member states. Restricting membership rights for new members redistributes the enlargement gains in favor of the enlargement laggards.

The five enlargement rounds offer various examples for these strategies. When the United Kingdom joined the EU in 1973, it accepted potential limitations on the free movement of its workers within Belgium, France, Germany, and Luxembourg (Donges 1983; Schneider 2006). Additionally, all three Mediterranean countries as well as the eight Central and Eastern European newcomers were denied access to the labor market of certain countries for up to seven years.[7] Only Cyprus and Malta—relatively small and economically advanced countries—were exempted from this transitional rule.

In the CAP, inner-Union transfers and restrictions for new members always accompanied enlargement. France, for example, advocated limited membership rights within the CAP for Greece, Portugal, Spain, and the Central and Eastern European countries, all of which had relatively large and inefficient agricultural sectors (Preston 1997; Mayhew 2000). Along similar lines, the EU members repeatedly agreed to further increase the budget. Usually, such deals were struck in form of a compromise. In the admission of countries from the Southern part of Europe, Germany committed itself to an increase of long-term budgetary contributions to finance agricultural subsidies and structural transfers. In turn, the EU member states agreed to reduce the amount of resources spent on the Integrated Mediterranean Programs (*Financial Times* 1985a, 1985b). However, Agenda 2000 placed a ceiling on the Structural Funds budget and initiated a reform of the Common Agricultural and Structural Policies. Since then, conflicts about the distribution of funds have become fiercer. In the Eastern enlargement negotiations, the structurally weakest EU members—Spain, Greece, Italy, and Portugal—threatened to delay admission and thereby achieved that the applicants received asymmetrically less structural aid for the first years of their membership than the current beneficiaries. Along similar lines, the Central and Eastern European candidates do not have full access to agricultural subsidies for the first ten years of their membership (Treaty of Accession 2003).

These examples demonstrate that the enlargement negotiations deliberately aim at producing Pareto efficiency. Yet they also demonstrate that the EU phases in full membership rights rather than derogating from full membership permanently. After a transition period of up to ten years, new members typically receive full membership rights. One might doubt that temporary discrimination of new members leads to Pareto efficiency because the potential losers of enlargement are able to formulate rational expectations on the long-term consequences of enlargement.

However, temporary discrimination suffices to compensate the relative losers of enlargement since governments tend to discount the future (as all actors do). A temporary discrimination of new members ensures that enlargement gains accrue immediately, while losses fully affect the current members only after the phase-in period. This delay in losses significantly improves the cost-benefit calculation of members, even if the future is only moderately discounted.

Figure 1
How Phase-In Periods Can Alter the Laggard's Calculation of New
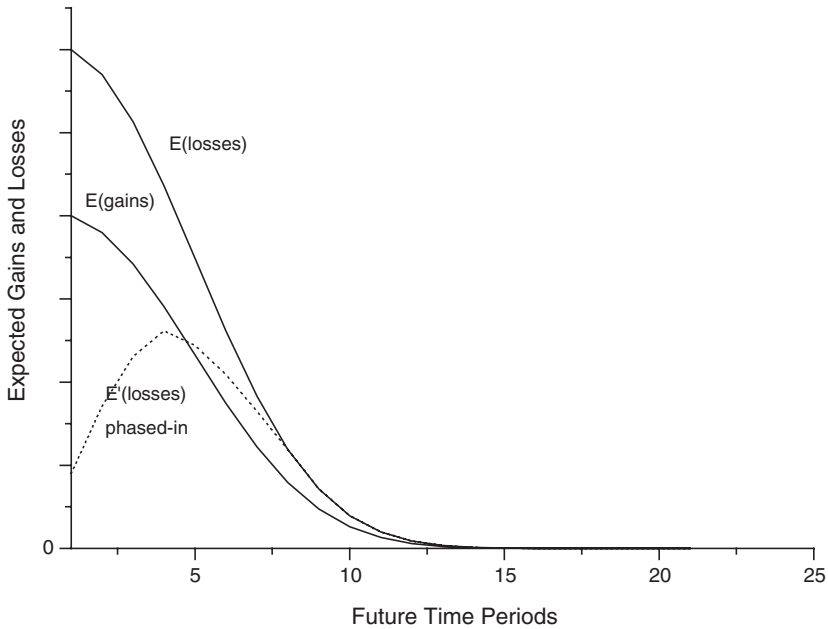**Effects from Enlargement: Simulation of Expected Gains and Losses**

Figure 1 illustrates the potential reversal of preferences of a laggard that results from a phase-in period.[8] The *x*-axis depicts future time periods, and the *y*-axis represents the gains and losses the actor expects in the future. Observe first that the expected losses from immediate enlargement, *E(losses)*, are larger than the expected gains from immediate enlargement, *E(gains)*. Consequently, the country whose calculation of the enlargement effects is displayed in Figure 1 becomes an enlargement laggard.

The dotted line represents the expected losses when new members are phased in, that is, when their access to the European club goods increases over time. We assume the following increase in benefits:

$$t_1 = .15, \ t_2 = .30, \ t_3 = .45, \ t_4 = .60, \ t_5 = .70, \ t_6 = .80, \ t_7 = .90, \ t_{>7} = 1.0$$

This phase-in period eliminates the opposition of the country under observation. The net gains that occur between periods 1 and 4 exceed the net costs that the country expects in this period. A phasing in of membership rights likely leads to Pareto efficiency even for countries for which the costs generally exceed the gains. In particular, a phase-in period overcomes distributive obstacles to enlargement, if

$$\int\limits_{t=1}^{T} E(g_t) - \int\limits_{t=1}^{T} E(c_t) < 0 < \int\limits_{t=1}^{T} E(g_t) - \int\limits_{t=1}^{T} E(p_t),$$

where E is the expectation term, g denotes gains, c losses, and p losses if membership rights are phased in.

Note that we assume that governments in laggard countries expect constant net losses from enlargement. This is not necessarily the case. As new members of the EU go through a phase of structural adjustments after their accession, the size of the agricultural sector may decline, new members do not delay infrastructural investment, per capita income between old and new members begins to converge, and so on. These developments also reduce or even eliminate the relative losers' enlargement costs in the long run.[9]

Our theory has several testable implications. First, it predicts enlargement conflicts on the distribution of EU subsidies and on free movement of labor. Second, we expect that governments fearing a decline in EU subsidies or an inflow of workers after enlargement insist on granting only discriminatory membership rights to new member countries. And third, our theory predicts that the emergence of distributional conflicts determines the outcomes of the enlargement negotiations. If distributional conflicts arise and an EU member state claims the need for compensation, the enlargement outcome cannot be one of unconditional accession. Empirically, we should rather observe that candidates accept (temporary) discriminatory membership rights or the drivers of enlargement accept some redistribution at their expense.

The next two sections test our hypotheses. In the first, we analyze whether structural causes that lead governments to expect enlargement losses prompt them to request temporary discrimination of acceding states. In the second, we study whether these tensions eventually lead to a reduction in membership rights for accession countries.

Distributional Conflicts and the Demand for Discrimination

Current EU members may temporarily reduce membership rights to applicants, thereby ensuring Pareto efficiency of enlargement. In this subsection, we analyze the demand for temporary discrimination in agricultural subsidies, infrastructural subsidies, and the free movement of labor. For each potential enlargement conflict, our dependent variable measures whether an EU government calls for differentiated membership for an applicant country in the accession negotiations.

Dependent Variables

Demand for discrimination of new members is not difficult to observe. EU members typically request deviations from the thirty-one chapters of the *acquis*

communautaire publicly. Intergovernmental conferences between the EU and the applicant country serve to achieve a position that is accepted by both parties. To code our dependent variables, we conducted a systematic content analysis. A working group of the European Parliament compiled information including the position of the EU member states and the candidate states (EU Parliament 1999). Next to the documents of the European Parliament, the European Council provides a report of its summits including information of the EU members' position on single issues in the enlargement talks. Additional information comes from the reports of the EU Commission (e.g., EU Commission 2001), the single member states (e.g., Report on External Affairs 2001; Schröder 2000, 2001; Austrian Government 2000a, 2000b), and some official interviews (e.g., Fischer 1998; Kok 2001; Persson 1999). We match this official information with background information from international newspapers.[10]

The dependent variable takes the value of 1 if an EU member in the accession negotiations requested some form of compensation in a policy field in regard to a certain candidate state and 0 if not. The level of analysis is the dyad current member-candidate for a given policy area and enlargement round. For the CAP and the Structural Funds, discriminatory membership is demanded if EU members request that acceding states receive asymmetrical shares of those funds. For the free movement of workers, this implies that EU members request that workers from the new member states are not permitted to freely take employment in the member countries or to receive social benefits.[11]

Model Specification

The first step model specification acknowledges that the conditions under which EU members request discrimination against accession countries are different for the single policy fields. Accordingly, we estimate the following system of relations:

$$\text{p}(\textit{demand for restrictions in EAGGF access}) \equiv \hat{c}_{ij} = \alpha^1 + \sum_{k=1}^{K} \beta_k x_i + \sum_{l=1}^{L} \gamma_l x_j + \varepsilon_{ij}^1 \quad (\text{m1})$$

$$\text{p}(\textit{demand for restrictions in ERDF access}) \equiv \hat{s}_{ij} = \alpha^2 + \sum_{m=1}^{M} \beta_m x_i + \sum_{n=1}^{N} \gamma_n x_j + \varepsilon_{ij}^2 \quad (\text{m2})$$

$$\text{p}(\textit{demand for restrictions on labor movement}) \equiv \hat{f}_{ij} = \alpha^3 + \sum_{p=1}^{P} \beta_p x_i + \sum_{q=1}^{Q} \gamma_q x_j + \varepsilon_{ij}^3,$$
$$(\text{m3})$$

where i denotes the member countries, j represents the accession candidates, and p stands for probability. The subscript ij illustrates that we estimate "dyadic relations"—for example, France asks for restrictions on Poland's access to CAP subsidies. Moreover, we estimate independent models for the dependent variables. Thus, the set of regressors may overlap, but it is not identical.

Unfortunately, the results of models m1 through m3 are biased if the variables used in one of the estimates are correlated with the error terms of the other two equations. We account for this possibility by using the forecasted errors of the other estimations as controls. Thus, to correct stage 1 estimates, we compute

$$\hat{c}_{ij}^c = \alpha^1 + \sum_{k=1}^{K} \beta_k x_i + \sum_{l=1}^{L} \gamma_l x_j + \varphi \hat{\varepsilon}_{ij}^2 + \eta \hat{\varepsilon}_{ij}^3 + \varepsilon_{ij}^1 \qquad \text{(m1corr)}$$

$$\hat{s}_{ij}^c = \alpha^2 + \sum_{m=1}^{M} \beta_m x_i + \sum_{n=1}^{N} \gamma_n x_j + \nu \hat{\varepsilon}_{ij}^1 + \lambda \hat{\varepsilon}_{ij}^3 + \varepsilon_{ij}^2 \qquad \text{(m2corr)}$$

$$\hat{f}_{ij}^c = \alpha^3 + \sum_{p=1}^{P} \beta_p x_i + \sum_{q=1}^{Q} \gamma_q x_j + \upsilon \hat{\varepsilon}_{ij}^1 + \omega \hat{\varepsilon}_{ij}^2 + \varepsilon_{ij}^3, \qquad \text{(m3corr)}$$

where $\hat{\varepsilon}$ denotes the forecasted error, and the superscript c defines the predicted probabilities of demand for discrimination based on the model with correction for errors correlated across the models.[12] We report estimates of both sets of regression to demonstrate that our results are influenced but not determined by these corrections.

Demand for Discriminatory: Agricultural Subsidies

We have argued above that EU members with large and inefficient agricultural sectors (in other words, the main beneficiaries of agricultural subsidies) should face distributional conflicts if a candidate that is alike seeks membership. We do not have information on the amount of subsidies a new member would receive and thus use the size of the agricultural sector as the gross value added (GVA) at factor costs in thousands of Euros/ECU. Information is provided by the statistical office of the European Union (Eurostat n.d.). Furthermore, we control for the expected number of EU members after enlargement and each member's share of the common budget (EU Commission 2003). The inclusion of those variables is warranted because compensation via intra-Union transfers should appear increasingly difficult the larger the EU. Moreover, we should expect that the net contributors to the budget are likely to call for a discrimination of new member states to avoid raising their contributions to the EAGGF funds.[13] Table 1 presents the results of the probit model.[14]

Observe first that the forecasted errors of models m2 and m3 are significant, but their correlation with the explanatory variables turns out to be low. Results remain robust if we control for correlated errors across models.

More important, the substantial findings are as expected. EU members with large agricultural sectors fear conflicts about the distribution of subsidies if largely agrarian countries seek membership. According to the model predictions, the French demand for restrictions on Poland's access to agricultural subsidies had the highest probability, followed by France's claim against Hungary and Italy's opposition to Poland's unrestricted participation in the EU's CAP. Luxembourg, on the

Table 1
Probit Model on the Likelihood of EU Members
to Demand Discriminatory Measures for EAGGF Subsidies

	m1	m1corr
GVA of agricultural sector (applicant)	0.0969 (0.0511)*	0.0377 (0.0530)
GVA of agricultural sector (EU member)	0.0499 (0.0166)**	0.0748 (0.0196)***
Expected size of the EU	0.1664 (0.0251)***	0.1064 (0.0287)***
EU budget contributions (EU member)	0.0406 (0.0184)*	0.0504 (0.0212)*
Forecasted error of structural funds model		−2.2485 (0.5683)***
Forecasted error of free movement model		−2.4462 (0.9274)**
Intercept	−4.4550 (0.6525)***	−1.3733 (0.8995)
N	231	231
Wald χ^2	103.59***	130.31***
Pseudo R^2	0.324	0.407
−LL	108.216	94.854

Note: GVA = gross value added; EU = European Union; EAGGF = European Agricultural Guidance and Guarantee Fund.
***$p < .001$. **$p < .01$. *$p < .1$.

other hand, is least likely to insist on restrictions to the accession countries' participation in the EAGGF.

Yet distributional conflicts do not solely emerge between agrarian states. The net contributors to the common budget also tend to ask for restricted access to agricultural subsidies for new members to avoid raising their net transfers. Finally, the larger the size of the EU, the more likely are distributional conflicts owing to the increasing difficulties to gather the necessary financial sources.

Demand for Discriminatory: Common Structural Policies

According to our theory, the main or net recipients of the ERDF funds are most likely to veto the admission of a candidate that will receive structural transfers after accession. The largest share of the ERDF funds is allocated to regions that lag behind other European regions. According to Objective 1, regions achieve structural adjustment aid, if their per capita GDP falls below 75 percent of the EU average. The best indicator of the expected eligibility for the ERDF funds is the ratio of an applicant's per capita GDP to the EU average (Eurostat n.d.) on one hand and the EU member's share of the structural transfers on the other (EU Commission 2003).

As laid down in Objectives 1 and 2, a state is eligible for more aid, the larger the labor force in the agricultural and industrial sectors. We therefore incorporate two further variables as controls that measure the applicant's workforce in the agricultural and industrial sectors as a percentage of the total workforce, respectively (Eurostat n.d.). As for the CAP, we estimate the effects of the size of the EU and

Table 2
Probit Model on the Likelihood of EU Members
Demanding Discriminatory Measures for Structural Funds

	m2	m2corr
Share of ERDF funds (EU member)	0.7500 (0.1332)***	0.6854 (0.1650)***
GDP per capita as EU average (applicant)	–0.0120 (0.0089)	–0.0189 (0.0147)
Expected size of the EU	0.0567 (0.0390)	0.2593 (0.0576)***
Share of employees in the industrial sector (applicant)	0.0337 (0.0231)	0.0335 (0.0336)
Share of employees in the agricultural sector (applicant)	0.0090 (0.0218)	–0.0354 (0.0250)
EU budget contributions (EU members)	–0.1221 (0.0253)***	–0.2728 (0.0421)***
Forecasted error of CAP model		16.3311 (2.9577)***
Forecasted error of free movement model		0.7344 (1.2489)
Intercept	–2.4023 (1.7461)	–9.0780 (2.4382)***
N	231	231
Wald χ^2	113.80***	151.77***
Pseudo R^2	0.393	0.524
–LL	87.97	68.98

Note: ERDF = European Reconstruction and Development Fund; EU = European Union; GDP = gross domestic product; CAP = Common Agricultural Policies.
***$p < .001.$ **$p < .01.$ *$p < .1.$

the amount of contributions of each EU member to control for other causes of distributive conflicts.

Table 2 shows that some of the estimated coefficients depend on whether we incorporate the error terms of models m1 and m2. Contrary to the basic model, the corrected model reveals a significant influence of the size of the EU on the likelihood that EU members demand discrimination against acceding states. Nevertheless, the remaining coefficients are robust to the correction, and we may infer that the main recipients of structural aid are most prone to ask for a compensation scheme. The current main recipients of the Structural Funds tend to oppose unconditional membership if they fear that enlargement causes a reduction in their share of structural aid.

Our model predictions suggest that Spain followed by Greece and Portugal were most likely to insist on restrictions on the access to ERDF funds for the East European countries. The main beneficiary of structural transfers in the past, Ireland, was relatively reluctant to push for restrictions on the new members' claims for structural aid. Germany, France, and Great Britain were least likely to seek derogations from the acquis communautaire in this policy area.

At first sight, it seems puzzling that the net contributors to the EU budget less likely call for discrimination on structural funds. Apparently, this result stands in marked contrast to the findings for the CAP where the net contributors appeared more likely to call for transitional periods. However, the distribution of the ERDF funds was always more equal than the distribution of the CAP funds. Therefore, the

Table 3
Probit Model on the Likelihood of EU Members
Demanding Restrictions on Free Movement of Labor

	m3	m3corr
Share of GDP per capita to EU average (applicant)	−0.0463 (0.0125)***	−0.0468 (0.0129)***
Distance between capital cities	−0.0007 (0.0002)**	−0.0006 (0.0002)**
Share of foreigners in member country	0.0002 (0.0001)**	0.0003 (0.0001)***
Share of employees in the industrial sector (EU member)	0.1234 (0.0299)***	0.1811 (0.0455)***
Share of employees in the industrial sector (applicant)	0.0635 (0.0347)*	0.0713 (0.0355)*
Unemployment ratio (EU member)	0.0585 (0.0361)	0.0432 (0.0500)
Unemployment ratio (applicant)	0.0285 (0.0471)	0.0548 (0.0376)
Forecasted error of CAP model		−1.3047 (2.0784)
Forecasted error of structural funds model		−2.0083 (1.1821)*
Intercept	−4.7788 (1.6927)**	−6.0072 (1.9131)**
N	231	231
Wald χ^2	82.45***	86.24***
Pseudo R^2	0.420	0.439
−LL	57.028	55.132

GDP = gross domestic product; EU = European Union; CAP = Common Agricultural Policies.
***$p < .001$. **$p < .01$. *$p < .1$.

beneficiaries had fewer incentives to request discrimination. Net contributors may also have anticipated that most transfers go into infrastructural investments, which help to foster economic ties between new members and the more advanced EU members. Infrastructural investments reduce the transaction costs to trade and also boost the value of foreign direct investments in new member countries. Thus, the main contributors to the ERDF funds may also well be the main beneficiaries of these investments.

Demand for Discriminatory: Free Movement of Labor

EU members should be more likely to demand restrictions on the free movement of workers if the potential for immigration increases sharply after enlargement and if migration is accompanied by adaptation pressures and high social costs for the destination country. To measure the likelihood of the accession of a state causing tensions on the labor market of current member states, we draw on a study of the EU Commission (2001) that evaluates influential forecasts. The income gap between countries and the labor market situation in the country of destination as well as in the country of origin are all crucial factors relating to migration and adaptation pressures. Since we could not obtain reliable data on average wages, we use the per capita GDP in purchasing power standards as an EU average. This measure approximates the effects of income differentials on the migration expectations. We also incorporate the unemployment rate for EU members and candidates and

control for the overall number of foreigners in thousands in an EU country, the proportion of employees in the industrial sector (Eurostat n.d.), and the distance between capital cities in kilometers (Haveman n.d.).

Again, the correction does not alter the substantive results even though the forecasted errors of the Structural Funds model are significantly related to the demand for restrictions on the free movement of labor. Moreover, the signs of all relevant coefficients point in the theoretically expected direction. The odds that members ask for limitations on the free movement of labor are higher if the applicant is poorer and if it has a larger industrial sector. Insistence on discrimination is also more likely the closer EU members are to the applicant country, if they have a strong industrial base, and if the number of foreign residents is larger.

Our estimates suggest that the likelihood of Germany requesting restrictions on the free movement of labor for the Baltic countries and Poland was almost 100 percent. Interestingly, our model also suggests that France asked for the same restrictions for the UK with almost 66 percent. At the other end of the spectrum, the odds of Luxembourg demanding restrictions on the movement of labor from Cyprus were close to 0 percent.

Discussion

As the analyses of the three policy fields demonstrated, EU members were more likely to call for derogations from the acquis communautaire if they feared distributional conflicts after the accession of that country. Most claims for differentiated membership were driven by the expectation that the EU budgets are limited and unlikely to grow commensurate with the demand for further transfers. For both the EAGGF and the ERDF funds, the accession of new recipients apparently affects the current net recipients more than the current net contributors. Accordingly, the former tend to oppose unconditional enlargement. For the CAP, it is also true that the net contributors to the common budget fear distributional conflicts and seek restricted access to EAGGF funds. Likewise, EU members that expect disruptions to their labor market are inclined to approve enlargement only if they are guaranteed the possibility of further protection against free movement. These findings suggest that EU members avoid the emergence of distributional conflicts by insisting on compensation in the enlargement negotiations rather than seeking to deliberately maximize their gains from enlargement.

The Demand for Discriminatory Membership and the Conditions of Enlargement

Up to this point, our empirical analysis indicates that the beneficiaries of the EU redistribution schemes and countries fearing additional labor market tensions are

Table 4
Probit Estimates of Discriminatory Membership in the EU

	m4	m5	m6
	CAP Discrimination	Structural Fund Discrimination	Restrictions on Labor Movement
Predicted probabilities (CAP)	8.4061 (2.2129)***		
Predicted probabilities (structural funds)		11.2344 (2.2637)***	
Predicted probabilities (free movement)			8.1981 (1.7212)***
Budgetary ceiling	11.0499 (3.6045)***	−3.2516 (2.8302)	12.5716 (2.3711)***
Amount of import from EU	−0.0002 (0.0000)***	−0.0002 (0.0000)***	0.0000 (0.0000)
Share of export EU/overall exports (applicant)	5.0934 (4.7615)	22.4339 (4.9115)***	0.1437 (0.8006)
Change of voting power in EU council (EU member)	1.7946 (0.7278)*	−0.8824 (0.3240)**	0.3887 (0.2474)
Intercept	−12.4072 (3.8050)***	−9.1510 (2.8829)**	−15.0980 (2.9271)***
N	229	229	229
LR χ^2	185.32***	193.14***	82.02***
Pseudo R^2	0.763	0.655	0.281
−LL	−28.780	−50.970	−105.21

Note: CAP = Common Agricultural Policies; EU = European Union.
***$p < .001$. **$p < .01$. *$p < .1$.

more likely to request a temporary discrimination toward accession countries. We now study whether these demands for temporary discrimination were successful. In particular, we regress information on the observed discrimination toward new members on the predicted probabilities of the demand for discrimination and a set of control variables. Using the predicted values of our demand for discrimination estimations as regressors has an important advantage because we eliminate random and strategic claims for discrimination, since those do not result from the structural factors that generate our predictions.

The dependent variable in these estimations accounts for temporary discrimination in our three main policy fields. We measure temporary discrimination by a dummy variable, which is coded 0 if an applicant is admitted without having to accept differentiated membership rights in one of the policy fields and 1 if the EU members and the candidate agree on a transitional period during which membership rights will be phased in. All discriminatory elements are laid down in the accession treaty (Treaty of Accession, various years).

We control for the accession candidates' imports from and exports to the EU (International Monetary Fund n.d.), the change of each member's voting power as a percentage of total votes in the EU council as well as a variable measuring a ceiling on the EU budget (EU Budgetary Vade-Mekum). The variable proxies the severity

of budget constraints on the EU's redistribution schemes. The tighter the budget and the smaller the increase after new members have joined, the more severe the distributive conflicts between accession countries and current net beneficiaries.

Table 4 illustrates that the demands of the EU members for temporary discrimination were typically met. In fact, the chances of applicants receiving equal membership rights were minuscule at best if some member states requested restrictions on the membership rights of new members. Our results illustrate that the discrimination in a policy field was not only a consequence of distributive conflicts per se but also resulted from distributive conflicts within this policy area. Accordingly, the relationship between the demand for discrimination and the likelihood that a candidate is in fact discriminated against holds for each policy field and is robust to the inclusion of control variables. We may, therefore, conclude that enlargement negotiations typically solve distributional conflicts by temporarily discriminating new members. Restrictions typically limit the access of new members to EU transfer schemes and the most vulnerable of the four freedoms—the free movement of labor.

Conclusion

The dominant debate between proponents of rational choice theories and their constructivist counterparts on EU enlargement focuses on the question of whether the accession of new members was beneficial for both EU members and candidate states. Constructivist authors often claim that with perhaps only a single exception—the accession of the former European Free Trade Association countries—enlargement was detrimental for EU members that largely profit from the EU's redistribution schemes as well as for applicant countries.

In this article, we follow the constructivists' claim that unconditional EU enlargement has redistributive effects and that some current members are likely to suffer welfare losses. Yet our article shows that those conflicts do not present an obstacle to enlargement that EU members can only overcome because they value common norms higher than economic benefits. To the contrary, we demonstrate that distributional conflicts between EU members and accession countries are typically resolved by redistributing enlargement gains from the accession countries to the potential enlargement losers.

Within the EU, the overall enlargement gains may be redistributed from the relative winners of enlargement—either inside the EU or the candidates—to the relative losers of enlargement. In particular, by granting new members temporarily restricted membership rights, the EU members deliberately propelled enlargement gains toward potential losers among current members.

On a higher plane, we show that the main justification for constructivist theories—the failure of rational choice approaches to explain enlargement—remains unconvincing. As we have demonstrated here, the rational choice approach is

capable of explaining enlargement. Thus, arguments according to which enlargement only succeeded because European countries share common values cannot be proven wrong, but they are dispensable.

Notes

1. To avoid redundancy, we refer to both the European Community and the European Union as EU.

2. See Baldwin, Francois, and Portes (1997); Moravcsik and Vachudova (2003); Brou and Ruta (2004); Plümper, Schneider, and Troeger (2006); Schneider (forthcoming); and Alesina, Angeloni, and Etro (2005) for the aforementioned approach and Schimmelfennig (2001, 2002, 2003) and Sjursen (2002) for the latter approach.

3. The same appeared to be true for the accession of the Central and Eastern European states to NATO. See Sandler (1993, 1999) and Schimmelfennig (2003) for a discussion of NATO expansion to the East.

4. Compensation of enlargement losers through, for example, discrimination of new members is not necessarily inconsistent with Schimmelfennig's framework. However, to more fully bring compensatory measures with ''rhetorical entrapment,'' one needs to show that the compensation of ''laggards of enlargement'' falls short of the actual utility difference between relative winners and losers of enlargement. This task indeed is almost impossible to achieve since we can estimate neither the counterfactual loss of these countries nor the value of their compensation. One may nevertheless ask why compensation would have been necessary if laggards had been fully entrapped.

5. There exists much less work on the consequences of the world market integration of countries on countries that have already been open to international competition. It is nevertheless safe to say that more similar countries profit less than more dissimilar countries when an additional country integrates into a free international market.

6. Heterogeneity in policy preferences between insiders and outsiders also causes reservations to enlargement. We do not analyze this source of conflict here. See Hausken, Mattli, and Plümper (2006) for an in-depth treatment of these conflicts and Mattli and Plümper (2004) for an analysis of the influence of the EU application process on regulatory reforms in transition countries.

7. Restrictions were lifted after no EU member state experienced mass migration from those countries—rather, it appeared to be the other way around.

8. For simplicity reasons, we assume that the discount factor is identical for both gains and losses.

9. Yet our expected utility theory of enlargement does not even require the assumption of structural changes in accession countries. Temporary discrimination suffices to ensure Pareto efficiency even if some old members and the new members continuously compete for scarce EU transfers. The effect of phasing-in periods does not depend on a short time horizon that politicians may have because their duration in power is limited by the democratic process. While it is true that most politicians who accepted the East European countries' membership applications have lost elections in the meantime (presumably for reasons that are unconnected to enlargement), our argument also holds when we assume a relatively long shadow of the future.

10. A comparison of the collected data revealed the reliability of the information on the EU members' positions.

11. All independent variables are coded for the year within the time of negotiations and before current member states agreed on a common EU position on these policies. This is 1971 for the first enlargement, 1981 for the second enlargement, 1983 for the third enlargement, 1993 for the fourth enlargement, and finally 2001 for the fifth enlargement. Those years were chosen depending on the beginning and end of accession negotiations and the agreement on the three chapters in negotiation. Referring to different years does not alter the results.

12. Alternatively, we could have estimated a 2SLS model, which assumes a common error process of all first stage estimates. We do not find this procedure convincing since we use different theoretical models and thus different sets of variables to predict the underlying probabilities of demand for restrictions. Therefore, we should also expect independent error processes.

13. Information was received from the EU Budgetary Vade-Mekum (EU Commission 2003).

14. We also estimated models with additional controls. The inclusion of further variables does not substantively alter the results. Results are available on request.

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