



At the table or on the menu?

Impact of eurozone membership on
negotiations in the Council of the European
Union

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Summary

In 1999, a group of member states of the European Union launched a common currency, the euro. The political weight and institutional set-up of this group have prompted fears that eurozone members might dominate non-members.

This thesis studies political dynamics between members and non-members of the eurozone. Specifically, it explores to what extent eurozone membership explains negotiation performance in the Council of the European Union – the core arena for negotiations among member states. To this end, the thesis uses an original dataset of 303 negotiations conducted under the co-decision procedure between 1999 and 2016.

The thesis makes a two-fold theoretical argument. First, it is argued that eurozone members have an *incentive* to build “minimum winning coalitions” under exclusion of non-members, as this increases their gains in Council negotiations. Secondly, this process is *enabled* by the institutional setup of exclusive eurozone-only bodies, most importantly the Eurogroup.

On this basis, it is hypothesized that eurozone members should have a higher probability of inclusion in a winning coalition in the Council (H1), especially in the Economic and Financial Affairs (ECOFIN) Council (H2), but perhaps also in other Council configurations (H3). It is furthermore hypothesized that inclusion of eurozone members in winning coalitions increased during the euro crisis (H4).

Contrary to theoretical expectations, the analysis yields four null findings. Eurozone members were *not* more likely to be included in winning coalitions, independently if a proposal was negotiated in the ECOFIN Council or other Council configurations, and regardless if negotiations took place during the euro crisis.

The thesis provides a possible explanation for this puzzling finding. An analysis of coalition patterns reveals that eurozone members were too divided to exercise their collective influence in the Council. Rather than acting as a cohesive bloc, eurozone states were split internally along traditional cleavages structuring conflict in the Council.

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1. At the table or on the menu?

1.1. Introducing the topic

Gothenburg, March 2003. Sweden's deputy finance minister, Gunnar Lund, delivers a speech in the context of an upcoming eurozone accession referendum. In this speech, he argues that staying out of the eurozone would weaken Sweden's influence in the European Union:

I can guarantee that a decision to say no to the Economic and Monetary Union means that Sweden will lose influence in economic policy, in agricultural policy, in environmental policy and in all the other policy fields (quoted after Naurin and Lindahl 2010: 487).

Warsaw, March 2011. Radek Sikorski, Poland's minister of foreign affairs, takes the floor of the parliament to deliver the annual grand speech ('exposé') on foreign policy. On the topic of eurozone accession, Sikorski argues similarly to his Swedish colleague:

*As Minister of Foreign Affairs, I would like to share with you my political judgment on the question if joining the eurozone will make our country's position stronger or weaker. I think that this is a situation captured well by the following American proverb: **'if you are not at the table, you are on the menu'** (Sikorski 2011, author's translation and highlight).*

These two senior political actors suggest that there is a relationship between eurozone membership and political influence in the European Union. According to them, eurozone members are more influential than non-members. The goal of this PhD project is to explore this relationship. Do eurozone member states indeed sit "at the table" while non-members find themselves "on the menu"?

To explore this question, the study will focus on legislative negotiations under co-decision in the Council of the European Union. The Council is chosen as it is EU's key forum for intergovernmental negotiations and

therefore allows observing differences in negotiation performance between eurozone members and non-members most directly. The co-decision procedure (also known as ‘ordinary legislative procedure’) is chosen as it is the primary way in which the EU enacts legislation, which allows studying the broadest possible thematic scope of legislation. Under this procedure, a legislative proposal is drafted by the European Commission and then transmitted to the Council and the European Parliament which negotiate its final shape as co-legislators¹.

A focus on the Council is further justified by the fact that negotiation performance of *member states* is more difficult to observe in the other main institutions involved in the legislative process under co-decision: the European Commission is a supranational body formally independent from the member states, while the European Parliament represents EU citizens rather than member state governments. Furthermore, there are important institutional characteristics which increase the relevance of eurozone membership in the Council in contrast to the Commission and the Parliament. So far, only the Council has special political bodies from which non-members of the eurozone are excluded, such as the Eurogroup².

Meanwhile, a focus on the European Council is discarded for two reasons. First, the European Council does not formally participate in legislative negotiations³, and when it does so *informally*, its involvement is limited⁴.

¹ See Chapter 2.1 for an overview of the co-decision procedure.

² For sure, informal practice introduces some shades of grey. For instance, all Presidents of the European Commission so far have come from eurozone member states. In the European Parliament, with just two exceptions (a report by Bulgarian representative Slavi Binev on fighting euro counterfeiting and a report by Vicky Ford from the United Kingdom on the reform of the Stability and Growth Pact), all rapporteurs on issues directly related to the common currency have been from eurozone states (Ondarza 2013: 25-26). However, these nuances do not change the fact that the impact of eurozone divisions in these two institutions might be weaker than in the Council.

³ The Lisbon Treaty stipulates that the European Council “should not exercise legislative functions” (Article 15(1) TEU). Thus, the focus on this institution would be incompatible with researching legislative negotiations under co-decision, in which the Council, not the European Council, is the key intergovernmental player.

⁴ Uwe Puetter (2014) suggests that, “from time to time”, the European Council resolves deadlock over legislative decisions in the Council (ibidem: 77). However, this is not its core business: the European Council mainly focuses on non-legislative decisions (e.g. agreements on the EU budget and top jobs in EU institutions), institutional decisions (e.g. preparation for treaty changes, intergovernmental agreements, EU enlargement) and new areas of activity where member states engage in political coordination outside of the community method, e.g. on economic governance, foreign policy, justice/home affairs and social/employment policy (2014: 72-78). Data compiled by Frank Häge (2008) helps to illustrate the limited pool of legislative files with potential involvement of the European Council. According to the author, member states resolve about two-thirds of conflict on legislative proposals at lower levels of the Council (45% in working groups, 22% in COREPER), while ministers decide on just 35% of cases (2008: 546). It seems reasonable to assume that ministers are able to resolve conflict on most of these 35% of proposals. Thus, the pool of proposals where the European Council intervenes “from time to time” would be a fraction of one-third of legislative proposals.

Secondly, its non-transparent work method⁵ has made it extremely difficult to build datasets on the performance of member states which would allow generalizable findings.

In sum, the thesis studies the following research question: to what extent does eurozone membership explain negotiation performance of member states in the Council under co-decision?

The next sections will provide the reader with a brief background on the eurozone, its membership and institutions, which is followed by an outline of the structure of the thesis.

1.2. Introducing the eurozone

The eurozone is a monetary union of EU member states which share a common currency, the euro, delegate management of monetary policy to a supranational European Central Bank and participate in a range of institutions coordinating economic policies.

Since its launch in 1999, not all EU member states were members of the eurozone. Two states – United Kingdom and Denmark – secured formal opt-outs in the Maastricht Treaty. Others, so-called ‘pre-ins’, have failed to comply with accession criteria, which include targets on fiscal policy, inflation, interest and exchange rates. As of today, this group includes seven countries: Czechia, Hungary, Poland, Bulgaria, Romania, Croatia and Sweden. For Sweden, the failure to satisfy accession criteria results from political will rather than ability: the country intentionally refuses to join the Exchange Rate Mechanism II (one of the accession criteria) following a failed accession referendum in 2003.

⁵ Wolfgang Wessels notes that “research on the European Council can be cumbersome and methodologically demanding due to the lack of confirmed empirical evidence: meetings of the European Council are consultations behind closed doors and the dense network of mutual information difficult to access. The conclusions are only a concentrate of the discussions held within. It is furthermore a challenge to explain the causal links between the diplomatic language of the conclusions and the real impact these measures have on EU politics” (2018).

Table 1 summarizes eurozone's membership structure, while Table 2 presents a timeline of accessions.

Table 1. Eurozone membership

Member ('in')	Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Lithuania, Latvia, Slovakia, Malta, Cyprus, Estonia, Slovenia
Permanent non-member ('out')⁶	Denmark
Candidate non-member ('pre-in')	Czechia, Hungary, Poland, Bulgaria, Romania, Croatia, Sweden

Table 2. Eurozone accessions

Member state	Eurozone accession
Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain	1999
Greece	2001
Slovenia	2007
Cyprus, Malta	2008
Slovakia	2009
Estonia	2011
Latvia	2014
Lithuania	2015

Due to its selective membership structure, the eurozone is a case of so-called 'differentiated integration', commonly defined as "a model of integration strategies that try to reconcile heterogeneity within the European Union and allow different groupings of Member States to pursue an array of

⁶ The United Kingdom was a permanent non-member with an opt-out until its withdrawal from the EU.

public policies with different procedural and institutional arrangements” (Stubb 1996: 283).

However, what sets the eurozone apart from other cases of ‘differentiated integration’⁷ is the existence of three dedicated bodies from which non-members are largely excluded: the Eurogroup, the Eurogroup Working Group and the Euro Summit.

The Eurogroup (see Puetter 2006, 2014) deserves particular attention among these bodies and will play an important role in theoretical arguments of this thesis. It is an informal body in which finance ministers of the eurozone discuss issues relating to the management of the common currency. Its legal base is Article 137 of the Treaty on the Functioning of the European Union (TFEU), which states that “arrangements for meetings between ministers of those Member States whose currency is the euro are laid down by the Protocol on the Euro Group”. This Protocol (No. 14 TFEU) justifies Eurogroup’s work with the need for stronger coordination of economic policies within the eurozone and the necessity of “enhanced dialogue” between the member states whose currency is the euro. It allows eurozone ministers to meet informally when necessary “to discuss questions related to the specific responsibilities they share with regard to the single currency”. Furthermore, the Protocol specifies that the European Commission shall take part in the meetings, and that the European Central Bank should be invited. The Group usually meets once per month, on the day before the session of the Economic and Financial Affairs (ECOFIN) Council. If necessary, additional meetings or teleconferences can be held. Eurogroup meetings are confidential, no minutes are published. Press statements are released, but they do not disclose details of the discussion.

The eurozone has two more dedicated bodies, which, for various reasons, play a less prominent role for legislative negotiations in the Council. First, since 2011 meetings of the Eurogroup have been prepared by the Eurogroup Working Group (EWG). The EWG is a body comprising civil

⁷ See Appendix A for an overview of current projects of ‘differentiated integration’.

servants of the eurozone member states, the European Commission and the European Central Bank. It usually meets each month, prior to the Eurogroup meetings. Its president, elected for two-and-half years, chairs both the EWG (a eurozone-only body) and the Economic and Financial Committee (an all-EU body of the Council) (Puetter 2014: 194-195). However, it is the Eurogroup which takes decisions and resolves more controversial conflicts.

Secondly, in 2008 the eurozone created the Euro Summit, a format for its heads of state or government. It differs from the Eurogroup in two important respects: its meetings have been irregular (mostly focused on responses to the euro crisis⁸) and its format has been more inclusive than the Eurogroup. For instance, it allows non-eurozone members which have ratified the Treaty on Stability, Coordination and Governance to participate in some of its sessions⁹, it has a more inclusive personnel policy than the Eurogroup¹⁰ and stronger duties to inform the other member states about preparations and outcomes of sessions¹¹.

⁸ The first meeting took place in October 2008 to agree on a response to the turmoil on financial markets caused by the collapse of the Lehman Brothers bank. The next meetings were in March and May 2010 and dealt with responses to Greece's sovereign debt crisis. Then, the Summit met intensively in 2011 (4 meetings) and 2012 (3 meetings) to discuss how to prevent the collapse of the euro area and how to strengthen its governance. The next intensive period was in 2015 (3 meetings), where the Euro Summits focused on a new bailout package for Greece. Since 2018, the Summit has focused mainly on deepening the Economic and Monetary Union (4 meetings in 2018, 2 in 2019, none in 2020).

⁹ Non-eurozone heads of state that have ratified the Treaty on Stability, Coordination and Governance (TSCG), "shall participate in Euro Summit meetings concerning competitiveness, the modification of the global architecture of the euro area and the fundamental rules that will apply to it in the future, as well as, when appropriate and at least once a year, in discussions on specific issues of implementation of the TSCG in the Economic and Monetary Union" (Article 12(3) TSCG)..

¹⁰ Personnel-wise, Poland's former prime minister Donald Tusk was appointed for two terms as President of both the European Council and the Euro Summit (2014-2019), despite his origin from a non-eurozone member state (since 2019, the President of both bodies is Charles Michel of Belgium).

¹¹ The Euro Summit President reports to the European Parliament after each Euro Summit (Article 12(5) TSCG) and informs all non-eurozone member states about the preparation and outcome of Euro Summit meetings (Article 12(6) TSCG).

1.3. Structure of the thesis

To recall, the thesis explores the question to what extent eurozone membership explains negotiation performance of member states in the Council under co-decision.

To operationalize the dependent variable (performance in Council negotiations), the author compiled an original dataset of 303 Council negotiations from the period 1999-2016, described in detail in Chapter 2. This dataset exploits the fact that there is a standard form in which member states signal serious discontent with (parts of) a legislative proposal: namely, by entering so-called *substantive reservations*. The background is as follows:

During the co-decision procedure, the first task for the Council is to work on a draft proposal previously submitted by the European Commission. In the beginning, many member states enter reservations to signal their wish for amendments. But over the course of the negotiations the number of reservations diminishes, as the Council presidency prepares subsequent versions of a compromise text satisfying more and more member states. In the end, a final compromise text emerges, which is supported by at least a qualified majority of member states. However, the Presidency does not have to accommodate *all* states, and in fact usually a number of them kept reservations because of not being accommodated.

The present dataset exploits this phenomenon: on the basis of official negotiation documents, it codes which member states kept their reservations at the end of early-stage Council negotiations, right before any involvement of the European Parliament. This gives an indication of member states' performance in the Council¹².

¹² This approach to data collection was pioneered by Lukas Obholzer (2014).

Chapter 3 embeds the analysis in theoretical literature and presents empirical findings based on the dataset.

The main body of literature this thesis speaks to is on sources of negotiation performance in the Council, or, simply put, the question why member states are more vs. less successful in Council negotiations. So far, scholars identified a range of explanatory factors. *Economic size* and *voting power*, contrary to popular expectations, are found to have no or even a slightly negative effect on negotiation performance (Arregui and Thomson 2009; Thomson 2011), although Bailer (2004) shows a positive effect of both factors in the area of agricultural policy. Also *bargaining skills* of negotiators are shown to have no significant impact, contradicting anecdotal evidence of practitioners involved in Council negotiations (Bailer 2004).

On the other hand, *salience* (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011), *access to information* due to holding the Council presidency (Kollman 2003; Schalk et al. 2007; Thomson 2008; Veen 2011; Warntjen 2008) and *network capital* (Naurin 2007; Naurin and Lindahl 2008) are positively related to negotiation performance. Also *positionality*, especially taking positions which are less extreme and closer to the Commission has a positive influence on outcomes (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011).

The thesis intends to contribute to this literature by showing to what extent membership in the eurozone is an additional source of negotiation performance in the Council.

Existing research on this question is scarce and contradictory. For instance, Rebecca Adler-Nissen (2014) argues that British and Danish negotiators are 'stigmatized' in the Council for not joining the eurozone. Meanwhile, Stefanie Bailer et al. (2019) shows, using a dataset of salient eurozone reform negotiations, that eurozone members did not perform better in negotiations than non-members.

The chapter outlines a theoretical argument based on William Riker's (1962) rational choice institutionalist concept of "minimum winning coalitions". It is argued, first, that eurozone members have an *incentive* to build "minimum winning coalitions" of eurozone member states with no (or limited) participation of non-members, as this allows achieving their preferred policy positions at the lowest cost. Secondly, it is proposed that this process is *enabled* by the institutional setup of exclusive eurozone-only bodies, most importantly the Eurogroup.

On this basis, four hypotheses are developed and tested on the dataset. The first simply posits that eurozone members are more likely to be included in winning coalitions in the Council (H1). This general hypothesis is refined in two directions. First, the magnitude of the advantage enjoyed by eurozone members should depend on the *Council configuration* (policy area) in which the proposal was negotiated. It should be particularly strong in the Economic and Financial Affairs Council (ECOFIN), which shares both actors and topics with the Eurogroup (H2). However, some analysts suggest that the agenda of the Eurogroup expanded so strongly that effects should be seen even beyond ECOFIN. This far-reaching hypothesis will be tested as well (H3). Secondly, the degree of the effect should depend on the *timeframe* during which a proposal was negotiated. Specifically, the advantage of eurozone members should have been particularly strong during the euro crisis, where the Eurogroup has become, according to some scholars, a dominant actor of EU decision-making (H4).

These four hypotheses are tested on the dataset using logistic regressions, with member states' inclusion in the winning coalition as the dependent variable. The models control for key factors identified in the literature as affecting negotiation performance in the Council.

In short, the analysis does not support Radek Sikorski's *bon mot* about 'being at the table' of the eurozone as source of influence in EU politics. Eurozone members are *not* more likely to be included in winning coalitions in the Council (H1), independently if a proposal was negotiated in the

ECOFIN Council (H2) or other Council configuration (H3), and regardless if negotiations took place during the euro crisis (H4).

A possible explanation for this string of null findings is provided in Chapter 4. In this chapter, the dataset is re-analysed using multi-dimensional scaling (MDS) in order to uncover coalition patterns.

Previous research identifies coalition patterns in the Council based on three groups of cleavages. The first is *ideology*, whereby member states cluster together when they are aligned in terms of their governments' left vs. orientation (Mattila 2004, 2009), their preference for integration vs. independence (Tsebelis and Garrett 2000) and for regulatory vs. market-based policies (Arregui et al. 2004). A second group of cleavages focuses on *interests*. Alignment among net beneficiaries vs. net contributors of the EU budget was found (Zimmer et al. 2005, Bailer 2011, Bailer et al. 2015), as well as among 'new' vs. 'old' EU member states (Mattila 2009, Thomson 2009, Naurin 2008). Finally, a third, most thoroughly validated group of findings identifies coalitions of member states along *geographic proximity*: a Northern vs. Southern dimension was found (Elgström 2001, Mattila and Lane 2001, Kaeding and Selck 2005, Zimmer et al. 2005, Naurin and Lindahl 2008, Thomson 2009), as well as an Eastern vs. Western cluster, which overlaps with 'new' vs. 'old' member states (Mattila 2009,

The intended contribution to this body of literature is to see if there is an additional cleavage of eurozone members vs. non-members in the Council. Extant research on this issue point in two competing directions. One stream of findings claims that a eurozone vs. non-eurozone cleavage is likely, due to the existence of common interests of eurozone 'ins' which do not coincide with interests of the 'outs'. Arguably, this has been particularly visible during the euro crisis (Ondarza 2013). A second stream shows that such cleavage might be difficult to sustain, if only due to divisions among the eurozone countries (Lehner and Wasserfallen 2019).

The analysis of coalition patterns in this thesis sides with the second stream, as it shows significant divisions among eurozone member states, which could be a possible explanation for the lack of additional negotiation performance of eurozone members identified in the previous chapter.

A look at coalition patterns across the entire dataset (corresponding to H1) reveals a North-South division among eurozone member states before enlargement, complemented by an East-West cleavage post-enlargement. This picture does not change much when individual Council configurations are analysed: a cohesive coalition pattern of eurozone members existed neither in the ECOFIN (H2) nor in the remaining Council configurations (H3). Finally, the picture did not change during the euro crisis (H4). In fact, divisions inside the eurozone *deepened* in the crisis period.

In sum, it seems that traditional cleavages among EU member states, such as the North-South and the East-West cleavage, cut across eurozone members and prevent the formation of a cohesive eurozone bloc in the Council.

Chapter 5 summarizes the findings of the thesis and discusses what they add to relevant bodies of literature. In terms of the already discussed literature on sources of negotiation performance in the Council, the thesis shows that eurozone membership should not be considered as an independent source of performance. As regards literature on coalition patterns in the Council, no new pattern of eurozone vs. non-eurozone member states was found.

The thesis also makes a rather comforting contribution to scholarship on 'differentiated integration' (DI), by putting a question mark behind claims about adverse political consequences of DI in general, and the eurozone in particular. Contrary to fears that DI undermines the legitimacy of the EU by creating politically dangerous permanent groups of 'winners' and 'losers', joining the euro does not mean entering a 'club of winners' in the Council.

Finally, the thesis speaks to literature on issue-linkage in international regimes. Theoretically, exclusive bodies for eurozone members (like the Eurogroup) might have served as additional venues for issue-linkage, providing their members with an advantage over non-members excluded from the linkage-making. However, this thesis shows that the existence of exclusive ‘institutions within an institution’ was not sufficient in the presence of political divisions within the linkage-making group.

The chapter ends with a discussion of limitations of the thesis and areas of possible future research.

1.4. Chapter summary

In the opening quotes of this chapter, two senior politicians from Sweden and Poland claimed, simply put, that eurozone members have more political influence in the European Union. The present thesis studies this claim using an original dataset of 303 Council negotiations under the co-decision procedure.

The study is embedded in literature on sources of negotiation performance and coalition patterns in the Council, and uses Riker’s concept of “minimum winning coalitions” as theoretical backbone. It delivers a string of null findings, which are puzzling at first sight, but become more understandable when the coalition patterns of the studied negotiations are uncovered.

The next chapter introduces the dataset used in the thesis and provides a glimpse into the process of co-decision negotiations in the Council.

2. A new dataset of Council negotiations

The goal of this thesis is to analyse empirically to what extent eurozone membership explains negotiation performance of member states in the Council. The dependent variable, performance in Council negotiations, is operationalized using an approach pioneered by Lukas Obholzer (2014).

This approach consists in coding so-called *reservations*, the standard form in which member states signal major objections to (parts of) a legislative proposal. By coding reservations at a particular point in the negotiations, it is possible to infer which member states successfully convinced the Council presidency of their objections (a positive sign of negotiation performance), and which did not.

The chapter begins with a concise introduction to co-decision, to familiarize the reader with this decision-making procedure and to allow her to understand at which point the data is collected and why. Secondly, the concept of reservations and their relevance for the research question are explained. This is followed by a section on the technical details of data collection. Finally, the data is presented and its limitations are discussed.

2.1. The negotiation process under co-decision

The co-decision procedure (also known as ordinary legislative procedure) unfolds, in simple terms, as follows:

As a first step, the European Commission prepares a draft legislative proposal (a Regulation, Directive or Decision). This draft is then sent, simultaneously, to the European Parliament (EP) and the Council. The Council conducts an examination and agrees on a common position. In parallel, the EP conducts a first reading of the proposal and transmits it with amendments (if any) to the Council. If the Council adopts the EP's amendments, the legislative act is adopted.

Otherwise, there is a second reading, where the EP can adopt Council's first reading amendments. If it does not, the Council has a second chance to adopt EP's amendments. If no agreement is found, a 'conciliation committee' (composed of an equal number of representatives of the Council and EP) is set up. The committee can draw up a proposal on which the two chambers decide in a third reading, without the possibility to change the wording. Figure 1 gives an overview of the co-decision procedure.

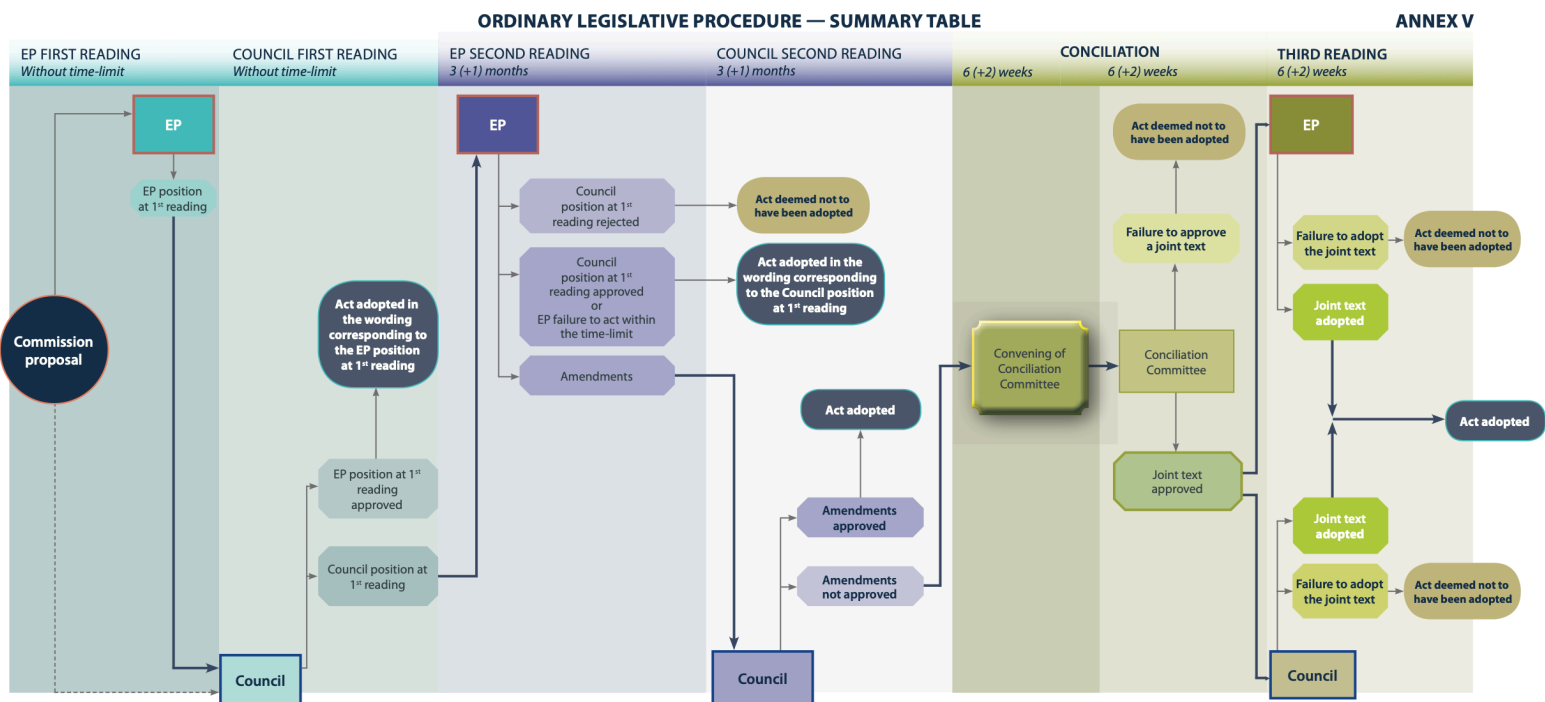


Figure 1. The co-decision procedure. Source: Council of the European Union 2010.

Clearly, the reality of co-decision negotiations is far more complex. As Richard Corbett et al. put it, the three legislative institutions of the EU – Commission, EP and Council – can be visualized as icebergs, “which prove to be much more inter-connected and closer together beneath the surface of the water than above it” (2016: 123).

One example of this inter-connectedness, with major implications for studying negotiation performance in the Council, are ‘first-reading agreements’ between the EP and the Council. Here, the two chambers enter into negotiations already before the first reading in the EP, through so-called

'trilogues'. If these negotiations are successful, the EP adopts at its first reading a position which is already supported by the Council and which the Council rubber-stamps during its own first reading (Council of the European Union 2010: 8).

This approach could pose a significant problem for studying Council negotiations, as it makes it difficult to distinguish the influence of member states from the influence of the EP. For this reason, the chosen approach to data collection focuses on a particular point in the negotiations: the moment when the Council defined its common position, which serves as the mandate for entering into negotiations with EP. To capture this moment, the last negotiation document of the Council before the 'four-column document'¹³ used for negotiations with the EP is identified and coded. This document gives a snapshot of member states' negotiation performance in early-stage Council negotiations.

The following sections will outline this approach in more detail.

2.2. Reservations as positional data

Identifying member state positions from official documents of the Council is possible thanks to a standardized form in which member state representatives signal objections to a proposal (or its parts). This standardized form is known thanks to detailed descriptions of Council negotiations by practitioners (Nedergaard 2007; Westlake and Galloway 2004)¹⁴.

After the Commission has submitted a draft proposal, member state delegations can state their position in two forms:

¹³ In this document, one column contains the Commission proposal, one the EP's proposed changes, one the Council's proposed changes, and one a potential compromise.

¹⁴ The chapter in Westlake and Galloway (2004: 223-232) was written by two 'insiders' of the Council: Martin Westlake and David Galloway; the latter having served as deputy secretary general of the Council. The chapter in Peter Nedergaard's book (2007: 160-173) was written on the basis of interviews with Sebastian Volkers and Anders Buch Christensen, two long-time participants of Council negotiations.

First, they can make interventions: these are suggestions regarding (parts of) the text, such as proposing to add a reference to other pieces of legislation or to modify certain provisions. This option is usually used for low-salience issues.

Secondly, delegations can take a more formal route by entering reservations on specific points or entire proposals. Reservations come in two types. *Procedural* reservations are entered if the delegation doesn't yet have instructions from the capital on the position to be taken (scrutiny reservation), if a national parliament needs to be consulted before a position can be voiced (parliamentary reservation) or if a delegation wants to wait for the official translation (linguistic reservation). Reservations of this type "are not considered important, since most will evaporate in due course" (Westlake et al. 2004: 226).

In contrast, *substantive* reservations are used to signal highly salient disagreement (Westlake and Galloway 2004: 226, Nedergaard 2007: 162). According to Martin Westlake and David Galloway,

When a member state representative, at whatever level (Council, Coreper or working party) cannot agree to something in a text proposed by the Commission or the presidency, they place what is known as a reservation on it (often referred to in Franglais as a 'reserve'). (...) A formal reservation is the sternest and most inflexible variety. It means that a member state cannot accept a provision on substantial rather than procedural grounds, and that a political solution must be found" (2004: 226, author's highlight).

Thus, a reservation signals a request to accommodate an inflexible national position. Since this uses up political capital of the member state, delegations have an incentive to use it only for the most salient issues¹⁵.

¹⁵ In practice, reservations often co-exist with comments on issues of lower importance: "while a delegation may hence note that it would prefer Option A over Option B, or may highlight inconsistencies in the text, reservations may be held up at the same time in case of serious disagreement" (Obholzer 2014: 28).

Crucially for the present dataset, reservations allow to infer the composition of winning coalitions in the Council. To this end, the dataset identifies which member states entered substantive reservations at the last stage of intra-institutional negotiations, i.e. at the moment when the Council came up with its joint position before entering into negotiations with the European Parliament. Member states which entered reservations at this stage were unsuccessful in convincing the presidency to include their position in the compromise proposal. In contrast, members who did not post reservations are inferred to be happy with the compromise and therefore part of the winning coalition.

2.3. Data collection

The dataset was built in four steps. First, the relevant files were identified and downloaded. A list of all 1423 co-decision procedures completed between January 1st 1999 and December 31st 2016 was extracted from the Council's website. Then, each procedure was looked up in the document register of the Council Secretariat, a list of URLs containing documents was compiled and fed into the web crawler import.io, which produced an Excel file containing links to 37.718 PDF files. This huge amount of files was then batch-downloaded to the hard drive by a download manager. Some files, especially from early years, were scanned versions of printed documents which were not machine-readable. Therefore, Adobe Acrobat was used to run an Optical Character Recognition routine on the whole collection of files.

Secondly, proposals with potential substantive reservations were identified. To this end, the grepping software PowerGrep was fed with the following regular expression developed by Lukas Obholzer (2014: 32):

```
(?<!parliamentary)(?<!scrutiny)[;,:-](?!*\?\. ]reserv|[\t\r\n\v\f]reserv
```

This expression allows the software to identify in the PDF documents all lines with the term “reserv” (a common denominator of interchangeable

nouns such as reservation(s) and reserve(s)), given the following conditions (ibidem: 32):

- “The term is preceded by a space, standard punctuation mark or it is positioned at the start of a line. This means that the search term only returns a result if “reserv” is at the start of the word. Thus, it returns “reservation”, but not “preservation”.
- The term is not preceded by “parliamentary” or “scrutiny”. This means that the search term will not return “scrutiny reservation” or “parliamentary reservation”.
- The term is not case-sensitive. This means that both “Reserve” and “reservation” are returned.

The output of this procedure is a list including, for each PDF file with text matching the expression, the name of the file and lines indicating potential substantive reservations. The word *potential* should be stressed, because the software prints lines matching the search term without distinguishing their substantial meaning. In practice, this led to three types of false matches.

First, some lines referred to a different meaning of the words ‘reservations/reserves’, e.g. to flight reservations in legislation on airspace policy, financial reserves in banking regulations or energy reserves in energy-related laws. Other lines included non-substantial (i.e. scrutiny or parliamentary) reservations or reservations which have been withdrawn. Secondly, the approach flagged reservations which did not relate to the current proposals of the presidency, but to suggestions of another member state. Consider this example: “UK: reservations or concerns on the DE suggestion, mainly about the exclusion of national security services”. Here, the British concern is not about specific details of legislation proposed by the presidency, but about an idea floated by the German delegation. Thirdly, the approach lists non-attributable reservations such as “several delegations have a reservation on this provision”. In this case it is impossible to attribute positions to specific member states.

When a proposal with substantive reservations was found, the third step consisted of identifying the right document. To recall, the goal is to identify *intra-institutional* (i.e. member state only) coalitions based on a compromise text of the presidency. This implies a time window with following start and end points:

- The time window starts with the transmission of the draft proposal of the Commission to relevant working parties of the Council. At this stage, member state representatives analyse the draft and engage in an exchange of views. Because reservations submitted at this stage refer to the Commission's text rather than a compromise proposal of the presidency, they are irrelevant for the present research interest (Nedergaard 2007: 261). Moreover, in this early stage many capitals haven't decided what their position is as they are still in the process of inter-ministerial coordination and parliamentary scrutiny (Gärtner et al. 2011).
- The time window ends when the Council has agreed on a compromise text and begins negotiations with the European Parliament. To this end, the Council Secretariat usually prepares a 'four-column document' which lists versions of the text proposed by the Commission, Council, Parliament, and a possible compromise. At this point, reservations no longer refer to the compromise proposal of the presidency, but to compromises developed in the course of negotiations with the Parliament.

The *latest document* within this time window is the right one for the dataset, as it most closely reflects the outcome of the coalition-formation effort undertaken by the presidency. In sum, for every proposal for which substantive reservations were found, the latest possible document before the start of interinstitutional negotiations with the Parliament was identified.

This approach could be subject to two different biases which are addressed as follows. First, the Council could start working on the proposal *after* the Parliament has adopted its 'opinion' on the dossier. In this case, submitted

reservations would refer to the EP position instead of the presidency's compromise proposal. If references to the EP's position were found in documents, they were excluded. It should be noted that this is a very rare case – usually the Council starts working on proposals just after they were submitted by the Commission.

The second bias could result from non-mandated negotiations with the Parliament. In the usual case, the Council develops a final compromise text first and only then enters into negotiations with the EP. While it is theoretically possible that representatives of the presidency engage in interinstitutional negotiations *before* a mandate of the Council is developed, it is a highly unlikely scenario. Success of presidencies is measured by their ability to conclude files. It is easier to conclude files after securing majorities in the Council. Instead, if representatives of the presidency negotiated with EP rapporteurs without having a majority in the Council, they would risk a backlash from the Council and a prolongation of the procedure.

Once the right document was found, the final step involved capturing reservations in a simple binary variable indicating that a member state recorded a reservation and was thus unhappy with the presidency's compromise proposal. Overall, out of 1423 co-decision files, substantial reservations were found for 303 proposals.

2.4. Composition

The dataset includes 303 co-decision proposals negotiated in the Council between January 1999 and December 2016, which is a subset of 1423 co-decision files completed in this timeframe. The included cases sparked some degree of controversy, as measured by reservations recorded in official Council documents. Member states which entered reservations were unable to enter the winning coalition built by the presidency, whereas those who did not enter reservation are assumed to having been included in the coalition.

Figure 2 shows the distribution of cases per year and Council presidency. While the average number of cases per year is 16,8, two periods are over-represented: early 2000s (especially 2001-2002) and the year 2012.

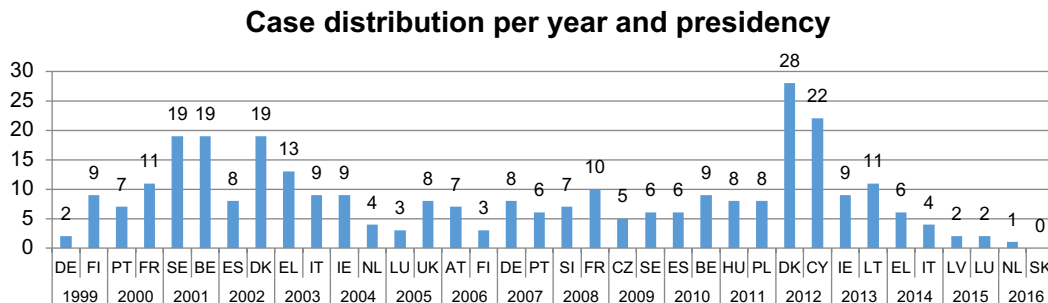


Figure 2. Case distribution per year and presidency

One explanation for this hike is the extension of co-decision to new policy areas in subsequent Treaty changes. The Amsterdam Treaty (in force since May 1999) extended co-decision to more than 40 areas, including transport, environment, justice and home affairs, employment and social affairs (Petit 1998). The Treaty of Nice (in force since February 2003) made relatively minor modifications in this regard, by adding to the co-decision portfolio proposals on combating discrimination, industrial/innovation policy, cohesion policy and aspects of asylum, refugee and immigration policy. Then, the Lisbon Treaty (since December 2009) introduced a ‘big bang’ extension of the co-decision procedure. Since Lisbon, co-decision covers 85 areas of Union action, including major controversial topics like agriculture, fisheries and common commercial policy (European Parliament 2020). Appendix B provides a detailed list of these extensions.

The extension of co-decision to new policy areas is one possible explanation of the spikes in legislative output. The first spike might be a delayed effect of the Amsterdam and Nice Treaties, which entered into force in May 1999 and February 2003 respectively. The second might relate to the entry into force of the Lisbon Treaty in December 2009. In both cases, the EU institutions might have needed substantial time to move from having

the legal authority of legislating in new policy areas to actual negotiations in the Council.

A second explanation for the two spikes might stress different approaches to transparency by presidencies. For instance, Hillebrandt et al. (2014) argue that the Nordic member states (Sweden, Denmark, Finland) have been advocating more transparency in the Council, in line with their domestic approaches to governmental transparency. If this was the case in the context of the present dataset, it could be expected that whenever one of the Nordic member states held the Council presidency, it would press to publish more documents containing controversy, thereby pushing up the number of cases with reservations.

Indeed, the increase in the number of controversial proposals coincided with a Swedish presidency in 2001, as well as Danish presidencies in 2002 and 2012. However, a Belgian presidency in 2001 and a Cypriot presidency in 2012 reported similar numbers of controversial proposals. It might be that spikes were caused not only by transparency-promoting presidencies, but also by a Treaty change-induced extension of co-decision to additional policy areas.

Thirdly, the spike before the EU enlargement of 2004 might have been related to anticipatory legislation. As Leuffen and Hertz (2010) argue, the 'old' EU member states increased their legislative output right before the EU enlargement of 2004 to anticipate potential difficulties of agreeing on important proposals in a larger, politically more diverse, Union. Similarly, Clerck-Sachsse and Hagemann (2007) compare 32 months before and after the 2004 enlargement and detect a 30% drop in legislative production after enlargement.

However, the claim of 'anticipatory legislation' has been questioned by Dimiter Toshkov (2017). First, Toshkov suggests to look at medium-term indicators: the amount of legislation has stayed roughly similar in the five-year blocks of 1999-2004, 2004-2009 and 2009-2014. Secondly, he

suggests to distinguish between types of legislation: while there was a slight drop in the number of directives passed in the 2004-2009 period, it was compensated by an increase in the number of regulations. Finally, he points out that the big enlargement round of 2004 coincided with the end of a legislative term of the European Parliament (1999-2003). Since EU institutions usually try to complete as many proposals as possible before the end of a legislative term, it is hard to distinguish this effect from a possible anticipatory boost of legislative activity.

Do the spikes imply differences between proposals negotiated under different presidencies? To answer this question, the average number of reservations per proposal in a given year is plotted in Figure 3. This allows seeing if proposals in ‘spike’ years (early 2000s and 2012) differ in terms of the number of dissenting countries. However, the Figure shows a stable number of reservations across the years, with an average of 6,0. Thus, it can be concluded that cases in the dataset have a similar degree of controversy, regardless of the total number of cases reported in a given year.

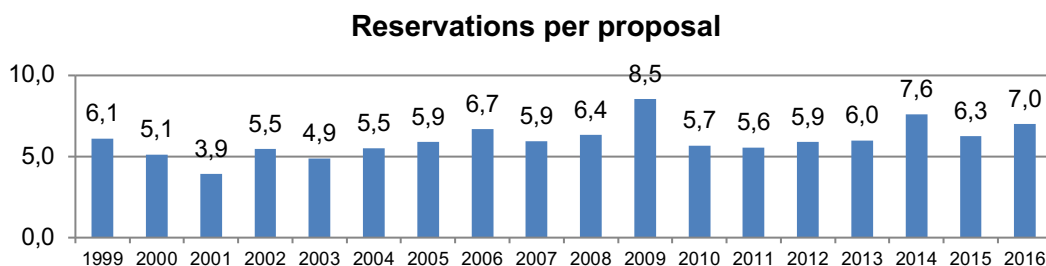


Figure 3. Reservations per proposal

Moving to case distribution per Council configurations, it can be seen that subsequent ‘enlargement rounds’ of co-decision affect how cases are distributed per policy areas (Figure 4)¹⁶. The two most represented Council

¹⁶ The figure shows names of Council configurations as of February 2020. In the studied timeframe there were two changes to the configurations. First, in June 2002 the Competitiveness Council was founded by merging three previous configurations (Internal Market, Industry and Research) and the Transport, Telecommunications and Energy Council was created through a merger of three separate configurations for its respective policy areas. Cases from configurations before the merger were assigned to the higher-level configurations established in June 2002. Secondly, in 2009 the General Affairs Council emerged by splitting a General Affairs and External Relations Council into a Foreign Affairs configuration and a General Affairs Council. The function of the latter, however,

configurations (Transport, Telecommunication and Energy; Competitiveness) are those where co-decision applied (with slight modifications) throughout the studied period (1999-2016), whereas the less populated policy areas have either been added to the co-decision portfolio more recently (e.g. Agriculture and Fisheries) or reflect a policy area where common decision-making at the European level is still in an early stage (Foreign Affairs).

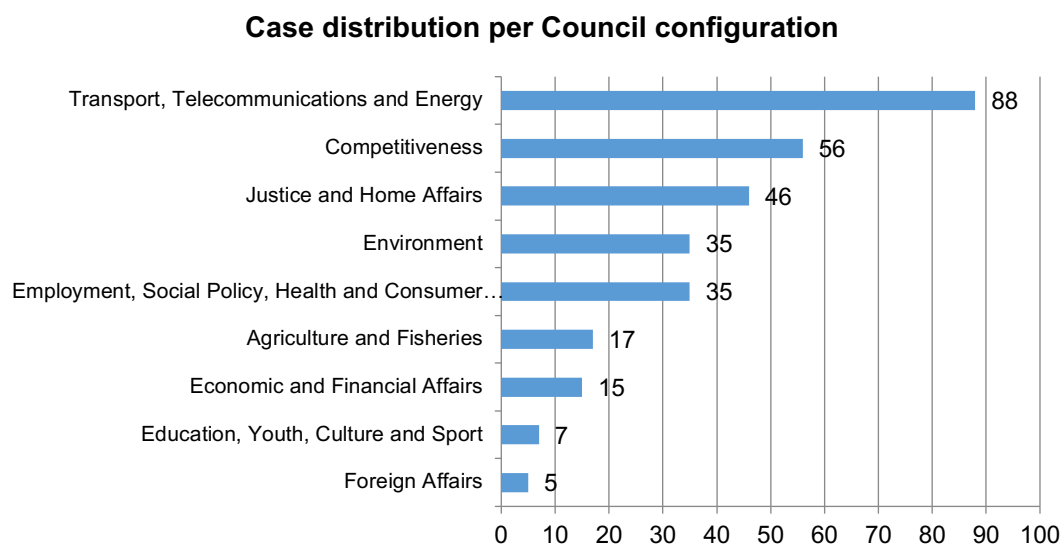


Figure 4. Case distribution per Council configuration

Finally, Figure 5 will show the main parameter of interest: reservations recorded by member states, separately for periods before and after the big enlargement round of 2004 (see Chapter 3.3.1. for the rationale of analysing pre- and post-enlargement cases separately). The figures show for which percentage of cases the member states posted reservations, thereby signalling that their salient preferences were not accommodated by the presidency. For 'old' member states, the figure shows percentages of proposals with recorded reservations in all 303 cases in the dataset. For 'new' member states, it shows cases negotiated since accession: 187 for

revolves around preparing European Council sessions and solving cross-cutting legislative problems. The official records do not include cases of legislative output which can be clearly assigned to the General Affairs Council.

countries which joined in 2004, 158 for Romania and Bulgaria which joined in 2007 and 35 for Croatia which acceded in 2013.

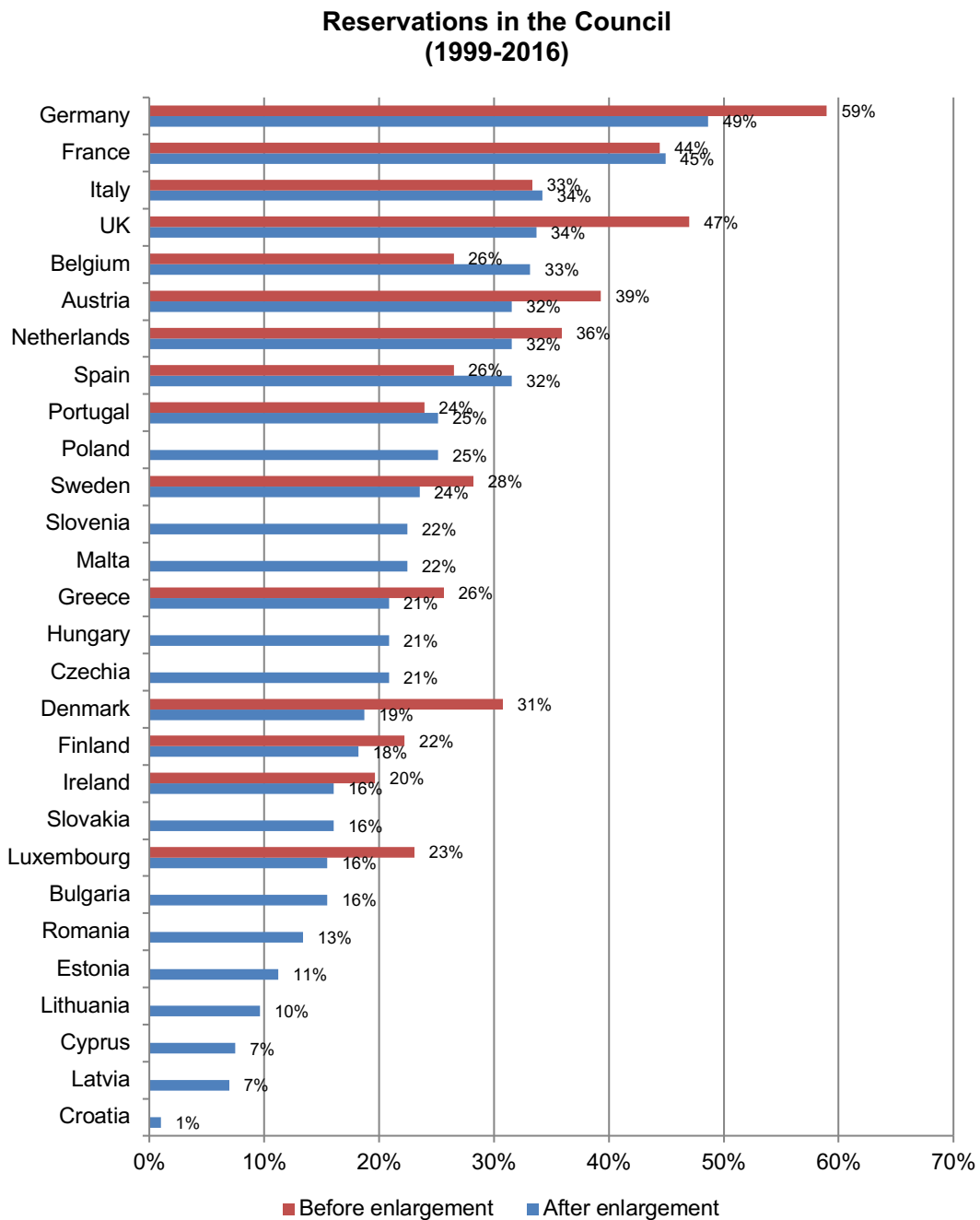


Figure 5. Reservations in the Council

On average, member states posted reservations, indicating exclusion from a winning coalition, in 23% of cases. But there is significant cross-country variation as well as differences between the pre- and post-enlargement period.

Large member states (Germany, France, UK, Italy) were among the most excluded, with Germany leading the ranking (59% pre-enlargement and 49% post-enlargement exclusion). At the opposite end were smaller and mostly 'new' members (Baltic states, Bulgaria and Romania, Hungary, Czechia and Slovakia, Luxembourg, Cyprus and Croatia) who were left unsatisfied on 20% or less cases. In between is a mixed group of small and medium-sized countries reserving positions between 20-30% of the time, with three upward outliers in the 30 percent range: Austria, Netherlands and Belgium.

Decision-making has become less contentious in the post-enlargement period. Especially Germany, the UK, Denmark, Luxembourg and Austria were excluded less often, while Belgium and Spain fared worse after enlargement. Regardless of the reasons for this observation, the discrepancy suggests that enlargement dynamics should be taken into account when analysing the dataset.

A look at these differences suggests that large member states (Germany, UK, France, Italy and Spain) were less successful in the Council than small member states, since they were more often excluded from winning coalitions in the Council.

This is congruent with some studies. For instance, Jonathan Golub (2012) claims on the basis of a salience-weighted analysis of the 'Decision-Making in the EU I' dataset (cases from 1999-2001) that small member states are substantially more successful in the Council. Golub discards a range of explanations for this outcome: that small members benefit from taking positions close to supranational actors (Commission and Parliament), choose less extreme positions or 'pay' for their success with net transfers to the EU budget. Instead, he proposes an explanation, based on case studies (e.g. Panke 2010, 2011), that small members benefit from the quality of their public administrations (which supply national representatives in the Council with timely information), from a wide range of employed negotiation tactics and from their role as 'honest brokers' in decision-making. He also suggests

that large member states could either ignore the disproportion because they consider overall benefits of European integration to be larger than losses in day-to-day negotiations, or that they might not realize how often they achieve inferior outcomes.

Javier Arregui and Robert Thomson (2009), studying a broader section of the 'DEU' dataset (1999-2005) find a similar, yet more limited, relationship and argue that smaller members are more successful because they have salient positions on fewer issues. For instance, a narrower range of regulatory proposals are relevant for their interests because they have less diversified economies. Finally, Fiona Hayes-Renshaw and Helen Wallace point to the role of smaller members as 'pivotal players' who play a decisive role in building winning versus losing coalitions (2006: 303).

However, it could also be that differences detected in the dataset reflect something different than relative levels of success. For instance, Daniel Naurin (2015) argues that smaller member states, which face a high risk of being outvoted and tied to unsatisfactory decisions, make generous concessions as an insurance against this risk. Moreover, they depend on their reputation more than large members who can break norms of generosity and still maintain a strong position as valuable coalition partners. As a result, it could be that at least a part of cases which look like accommodation of small member states are in fact cases where those members made unilateral concessions to minimize the risk of ending up in non-blocking minorities on salient issues. Another explanation could be luck (Barry 1980). Small members might find themselves in situations where they can hide behind large states advocating a position similar to their ideal point. In such case, it would be rational to refrain from politically costly position-taking and let the big members 'do the fighting'.

Without delving further into this debate, a descriptive review of the dataset suggests to take country size into account. Regardless of the reasons why small member states appear to be included in winning coalitions more often

than large ones, there is something different in their performance during Council negotiations.

2.5. Limitations

The chosen data-collection approach has some limitations. The first limitation is that member states can signal strong opposition differently, without using the words “reservation” or “reserve”. Consider the following example: “CZ, DK, DE, EE, LV, NL, SK, SE and UK reiterated their overall opposition to the continuation of the EGF [European Globalisation Adjustment Fund, addition of the author]”. In this case, a group of member states opposes the core of the proposal (continuation of the Fund), but does not use the term “reservation”.

This might be related to the fact that preparing documents is the task of the Council Secretariat – but in cooperation with presidencies of member states which change every six months. The changing personnel can prepare documents with different levels of care and record disagreement in different ways. Moreover, the tradition of recording disagreement by using the term “reservation” could change over time. It is well possible that a more sophisticated text recognition technology would identify the whole variety of ways of indicating opposition and thereby increase the number of cases in the dataset. Nevertheless, there is no clear direction in which this bias would affect the dataset.

Secondly, the sample is not representative for all EU legislation. As can be seen in Figure 6, in the studied period the Council worked on 5377 files, out of which 4917 were completed and 460 not completed. Among those, co-decision proposals were the largest group, encompassing 1610 files, out of which 1423 completed and 187 not completed (data obtained through the EUR-LEX website).

Thus, the present dataset is focused in two directions: on completed co-decision files (instead of legislation adopted through other procedures¹⁷), and within this subset on controversial proposals, i.e. those in which reservations were recorded. Consequently, analyses conducted on its basis do not allow inferences towards other legislative procedures, towards uncompleted co-decision files or less controversial proposals.

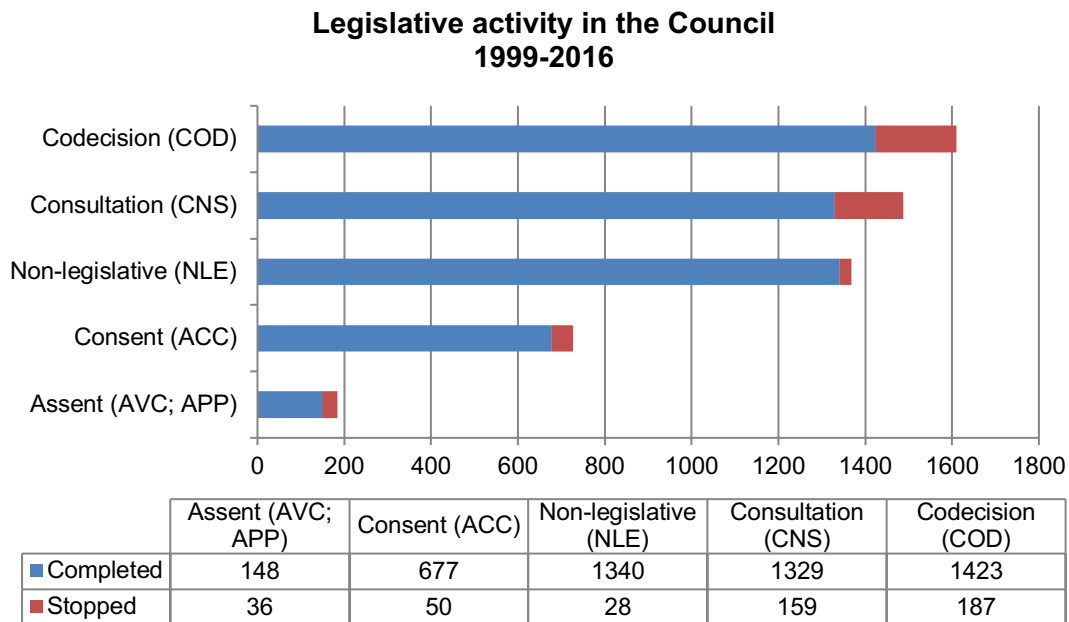


Figure 6. Legislative activity in the Council 1999-2016

However, this selection bias is congruent with the present research interest. First, focusing on co-decision files allows studying the most salient and important issues on the Council's agenda. Secondly, co-decision, as the 'ordinary legislative procedure', allows studying the broadest possible scope of policy areas¹⁸. Finally, focusing on non-controversial proposals would not

¹⁷ **Consultation** gives the European Parliament the right to issue non-binding advice and suggest amendments to the Council, who makes the final decision on the dossier. It is used for sensitive policy areas, such as aspects of labour, police and family law. The **non-legislative** procedures are mostly used for implementing and delegated acts, i.e. instances where the Commission is authorized to issue detailed rules on the basis of more general passed legislation. Under **consent** the EP may accept, reject or suggest amendments to a piece of legislation, but its position is not legally binding on the Council. This procedure is used for international agreements connected to common foreign and security policy, internal market exemptions and competition law. Finally, under **assent** the Council can adopt legislation only after it has obtained a majority in the EP. The EP can only accept or reject a proposal (by majority vote), but cannot amend it. This procedure is used in special cases, such as the Art. 7 procedure (serious breach of fundamental rights), accession of new member states, withdrawal from the EU and conclusion of certain international agreements.

¹⁸ According to data of the European Parliament, co-decision files made up the following proportion of legislative proposals: 42% in 1999-2004, 49% in 2004-2009, 89% in 2009-2014 (European Parliament 2017).

make much sense since these proposals have not generated a degree of political conflict required to identify differences in negotiation performance between member states.

A third limitation of the dataset has to do with the fact that focusing on publicly available documents cannot give a full insight into the 'black box' of Council negotiations. Before a reservation is posted, the member states, the Commission, interest groups and other relevant actors try to influence the shape of the proposal in formal and informal settings, including through deals made 'in the margins', e.g. at dinners, lunches or informal meetings not recorded in the official calendar. To uncover this 'black box', researchers have conducted in-depth case studies (e.g. Aus 2006).

The frank answer to this challenge is that the complexity and opaqueness of Council negotiations makes it impossible to uncover all causal factors leading to an outcome. Furthermore, any data collection method has its own limitations. Interview-based datasets, for instance, might suffer from self-serving answers and post-dictive bias of interviewees (de Mesquita 2004). Even a detailed case study can struggle to capture positions and actions of all actors, while it runs the risk of over-exaggerating the relevance of the factor on which it focuses. An approach based on reservations gives, at minimum, a snapshot from the 'black box' at an important timepoint in the negotiations which can be aggregated to large datasets and examined for structural explanations. At the same time, nothing prevents researchers from moving back to the individual cases in the dataset in order to conduct in-depth analysis.

A final challenge concerns the substantive meaning of member state interventions in the Council. The dataset assumes that actors' legislative behaviour is meaningful, in the sense that an actor recording a reservation has indeed not been accommodated, while refraining from a reservation means that he/she was. Here, literature on voting behaviour in the Council points to a potential challenge: for instance, Stephanie Novak (2013) argues that member states stay silent at the voting stage instead of voicing

opposition in order to avoid blame at the domestic level for ‘losing’ in negotiations. If this was true, the dataset would underestimate the scale of contestation in the Council.

However, Javier Arregui and Robert Thomson (2014) question the ‘stay silent to avoid blame’ hypothesis by pointing out that “domestic interests are aware of the fact that Brussels is an increasingly important source of regulation, and they monitor EU developments closely” (2014: 695). In their view, the opposite is true: voice, not silence, is a means to avoid blame.

Moreover, while it possible that the ‘stay silent to avoid blame’ mechanism affects some extreme cases, this should not affect the present dataset also for procedural reasons. Reservations are the basis of any change to a legislative act. A member state cannot expect to be accommodated without signalling this request. Thus, objections to the winning majority are most likely about high salience and preference. If salience was low, actors would rather refrain from entering reservations.

Overall, while it is important to consider all biases outlined in this chapter, it is equally important to acknowledge practical and methodological difficulties of capturing political conflict in the Council using other approaches (e.g. interviews, voting records or measures of conflict derived from surveys), which introduce their own sources of potential bias. Finally, the chosen approach has important forward-looking advantages: it can be easily replicated, extended by new documents and improved by using more sophisticated text recognition technology.

2.6. Chapter summary

For the purpose of this thesis an original dataset of 303 co-decision proposals adopted in the Council between 1999 and 2016 was compiled. It is based on a semi-automatic analysis of 37.718 Council documents and covers co-decision files which stirred political conflict as signified by member states’ objections recorded in official documents.

The dataset exploits the fact that member states signal fundamental disagreement with a proposal in a standardized form: so-called *substantive reservations*. These reservations are identified in documents and coded in the dataset. According to practitioners, member states enter such reservations as a last resort, after they exhausted all other means of convincing the presidency to accommodate their position.

Reservations recorded by a member state at a specific timeframe (just before negotiations with the European Parliament) signal that this member state was unable to enter the winning coalition built by the presidency. This allows to track which member states were more, and which less successful in Council negotiations.

The dataset will now be used to analyse to what extent eurozone membership, after controlling for other factors, explains inclusion in winning coalitions in the Council.

3. Two worlds of inclusion in the Council?

This chapter engages the core of this projects' research interest. It analyses empirically to what extent eurozone members perform better in Council negotiations (sit at the proverbial 'table') in contrast to non-members, who find themselves on the proverbial 'menu'.

The starting point will be an outline of existing research: both general scholarship on sources of negotiation performance in the Council and specific literature on the performance of eurozone members versus non-members.

Then the theoretical argument will be presented. It is argued that eurozone members have an *incentive* to build "minimum winning coalitions" of eurozone member states with no (or limited) participation of non-members, as this allows achieving their preferred policy positions at the lowest cost. Furthermore, it is proposed that eurozone members are *enabled* to do so thanks to the existence of exclusive eurozone-only bodies, most importantly the Eurogroup.

On this basis, four hypotheses are developed, which take up the main claim, but also refine it by looking at effects in specific Council configurations and at possible effects of the euro crisis. These hypotheses are then examined on the dataset of 303 Council negotiations as described in Chapter 2.

3.1. Extant literature

Contemporary literature on the Council devotes much space to the question which member states succeed in negotiations and why. In this literature, large-n studies have been at odds with intuitive assumptions. For instance, the assumption that 'large' member states are the most successful, has been questioned: in large-n studies, *economic size* and *voting power* are found to have no or even a slightly negative relationship with negotiation performance (Arregui and Thomson 2009; Thomson 2011). Nevertheless,

Stefanie Bailer (2004) shows that this might depend on the policy area, as in her study 'large' member states were found to be more successful in agricultural policy. Similarly, *bargaining skills* of negotiators are shown to have no significant impact, contradicting anecdotal evidence of practitioners involved in Council negotiations (Bailer 2004).

In contrast to exogenous characteristics of member states, research points to the central role of *salience*: member states' success in the Council depends on how important the negotiated issue is for a government, and hence how much political capital a government is willing to invest (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011).

A further clear finding points to the role of the Council presidency. Countries holding the presidency are much more likely to perform well in negotiations, which is explained by their superior access to information about other states' preferences and their privileged position as 'formateurs' of majorities (Kollman 2003; Schalk et al. 2007; Thomson 2008; Veen 2011; Warntjen 2008).

Negotiation performance is also explained by *network capital*, a member state's ability to be an attractive coalition partner (Naurin 2007; Naurin and Lindahl 2008). Finally, it matters which positions member states adopt: states taking positions which are less extreme and closer to the Commission have a higher chance to be successful (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011).

Research on the impact of *eurozone membership* on negotiation performance in the Council has been scarce and contradictory.

In a recent study, Stefanie Bailer, Martin Lundgren et al. (2019) analyse member states' bargaining success on 39 contested issues of eurozone reforms negotiated between 2010-2015. The reforms concern three thematic categories: strengthening fiscal crisis management (EFSF, ESM, bailouts for Greece), reforms of the Stability and Growth Pact (Six-Pack, Two-Pack, Fiscal Compact), and the creation of the Banking Union (Single

Supervisory Mechanism, Single Resolution Mechanism, Single Resolution Fund).

All issues are captured on a policy scale from 0 to 100. The analytical assumption of the dataset is that the closer a member state's initial position to the final outcome, the larger this member state's bargaining success. The dependent variable is calculated as the distance between a state's initial policy preference and the negotiated outcome. A member state attains the highest bargaining success (100) if its position at the beginning of negotiations overlaps with the outcome and the lowest (0) if its position and the outcome are polar opposites.

The study offers two insights. First, a descriptive analysis of the dataset (Figure 7) shows that eurozone 'outs' achieved a higher average level of bargaining success than 'ins', even though the difference was small – both groups scored around the middle of the distribution (bargaining score of about 60).

Secondly, the authors use in their explanatory analysis (multivariate OLS regressions) a dummy variable capturing a member state's membership in the eurozone. The goal is to ascertain if, after controlling for known variables influencing member states' bargaining success in the Council, eurozone

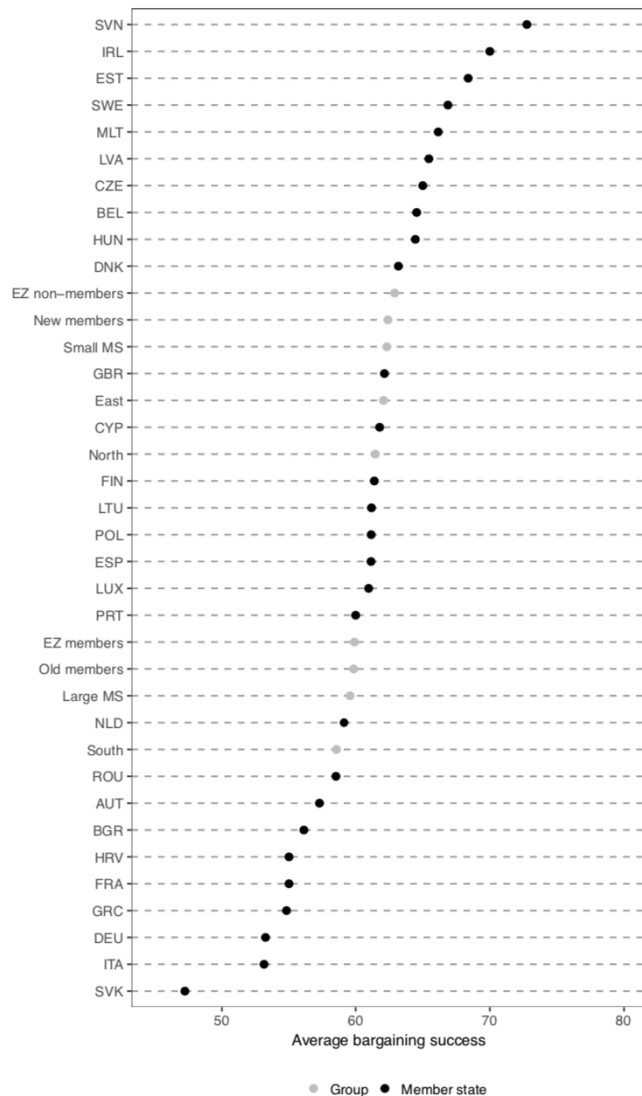


Figure 7. Bargaining success of EU member states (2010-2015).
Source: Bailer et al. 2019

membership is an additional factor explaining such success. However, eurozone membership does not turn out as statistically significant in any of the calculated models. This suggests that being a eurozone member neither helped nor hurt member states during negotiations of recent Eurozone reforms.

In an earlier study, Daniel Naurin and Rutger Lindahl (2010) analyze differences between eurozone members and non-members in terms of 'network capital', a specific proxy of negotiation performance defined as "the set of potential cooperation partners that an actor has access to for gaining and spreading information and building coalitions during the negotiation process" (2010: 489-490).

The indicator is measured by asking national representatives in eleven working groups of the Council¹⁹ to name member states with whom they most often cooperate to develop a common position. The level of network capital depends on the *frequency* and the *sequence* in which a member state is mentioned: the first member state mentioned as cooperation partner receives the highest score and the next member states receive lower scores. Network capital of a member state is then calculated as the average score given to this member state by all the other member states' representatives. Measurement was conducted in 2003, 2006 and 2009.

¹⁹ The working groups covered the following policy areas: economic policy, internal market issues, justice and home affairs, agriculture, foreign and security policy and environmental policy (2010: 490).

The data shows that euro-outsiders performed strongly in all waves of the measurement (2003, 2006 and 2009). For instance, the UK is ranked first in terms of network capital in 2009 and 2003, as well as second in 2006, on par with Germany and France, whereas Italy, which had a similar number of votes in the Council, ranked lower in all three years. Sweden ranks fourth in all three years, while Denmark is close behind in the fifth (2009) or sixth (2003, 2006) place. The two Scandinavian ‘outs’ outperform not only members with similar voting power (Austria, Ireland and Finland), but also several member states with more voting power such as Spain or Belgium²⁰. Figure 8 gives an overview of the data.

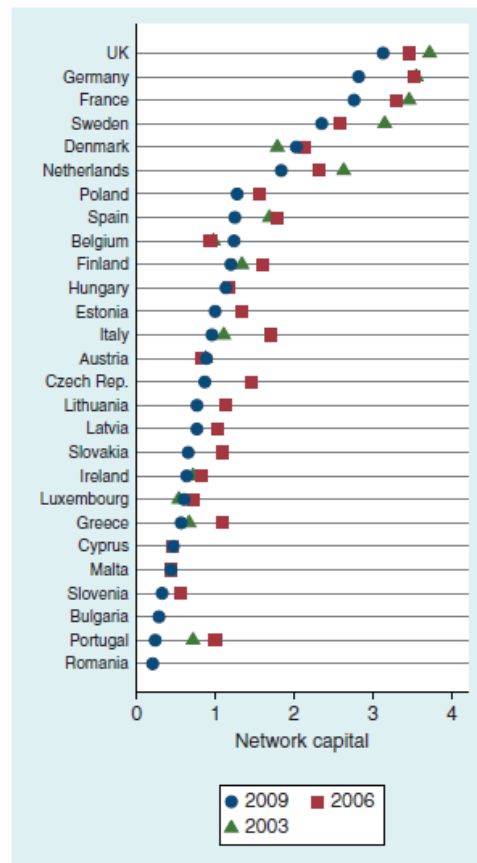


Figure 8. Network capital of EU member states. Source: Naurin and Lindahl 2010

In sum, Naurin and Lindahl conclude that there is no disadvantageous relationship between eurozone membership and network capital. To the contrary, eurozone ‘outs’ seem to be more attractive as partners for sharing information and building coalitions than comparable ‘ins’.

Martin Marcussen (2005) argues, in a similar vein, that “it is a fallacy to believe that ‘position’ (in the euro-area) automatically infuses a country with power resources and leads to larger degrees of ‘influence’” (2005: 59). He gives two reasons for this claim. First, eurozone non-members are not completely isolated from what is going on among members, because “the European polity is multi-layered and offers many opportunities to get

²⁰ The authors calculate various measures of network capital. Besides the “in-degree” measure (the results of which were summarized in the paragraph) they calculate a measure weighed by the Banzhaf voting power index as well as measures reflecting different concepts of centrality in network theory: betweenness, closeness and eigenvector centrality. In sum, “the main message of the analyses (...) is that the Euro-outsiders are relatively centrally placed regardless of which measure is being used” (2010: 498).

information and to conduct informal diplomacy and networking” (ibidem: 59). Secondly, he argues, non-members can use a number of compensatory tactics. For instance, Denmark employed a ‘model country strategy’ of capitalizing on its economic performance to have a say on eurozone-related economic issues (2005: 57), as well as a ‘leadership strategy’ whereby it got its way by facilitating compromise between larger states (2005: 58).

In contrast, Rebecca Adler-Nissen (2014) draws a clear picture of how Danish and British negotiators were disadvantaged in the Council for not joining the eurozone. Her findings are based on interviews with diplomats and officials from the UK, Denmark and eleven other member states, as well as EU officials (ibidem: 21).

In her book (2014), which builds on previous articles (Adler-Nissen 2008, 2009, 2011), the author argues that there is a “stigma of euro-outsiderness” whereby “British and Danish representatives are systematically punished for their choice to remain outside the eurozone” (ibidem: 75). According to Adler-Nissen, stigmatization results from a “failure to discipline the eurozone in the first place” and is a method “to ensure the ongoing symbolic stability of co-operation on the euro” (ibidem: 75).

As a result, British and Danish officials interviewed for Adler-Nissen’s study claim that “euro-outsiderness significantly influences the way in which others perceive them” (ibidem: 91). The two countries are labelled as ‘free-riders’ and ascribed negative stereotypes, such as being called ‘reluctant’ or ‘traumatized’ EU members (ibidem: 92). Furthermore, ‘outs’ are separated from an ‘exclusion zone’ of eurozone-only bodies, they lose status in the eyes of the eurozone members and report acts of discrimination (ibidem: 97).

In short, the study argues that actors participating in Council negotiations perceive a stigmatization of eurozone ‘outs’. However, the goal of the study was not to show how stigmatization translates into negotiation performance on actual pieces of EU legislation. In other words, Rebecca Adler-Nissen

does not show to what extent stigmatization implies concrete losses in negotiations apart from unpleasant treatment of Danish and British negotiators.

Also Nicolai von Ondarza (2013) argues that eurozone members enjoy a privileged position in Council negotiations. In his study, he focuses on the euro crisis. He argues that responses to the crisis were largely agreed upon in a “rapid series of crisis meetings held by Eurozone members” (ibidem: 28) in exclusive institutions such as the Eurogroup.

According to the author, eurozone members agreed on reforms among themselves, in the form of package deals which were then presented to non-members as ‘faits accomplis’ (ibidem: 13), despite the fact that these decisions could have a spill-over effect on policy areas affecting the EU as a whole (ibidem: 21). As a result, the excluded non-members of the eurozone felt like “second-class” EU members (ibidem: 27).

3.2. Theoretical argument

In 2016, the European Union Committee of the House of Lords published a report about the reform of economic governance in the Union. In one of its sections, the Committee fears that the Eurogroup might marginalize non-members of the eurozone:

*The role of the Eurogroup is of particular interest to the UK. The Government has long been concerned about **caucusing** among its members. Under the new Council voting rules, it is possible for the eurozone, acting as a bloc, to outvote the non-eurozone countries. (House of Lords 2016: 54; boldtype by author)*

This subchapter outlines a rational choice institutionalist argument which takes up the concern formulated by the House of Lords.

Depending on the specific policy area and topic, the Council decides either unanimously or using Qualified Majority Voting (QMV). Under unanimity, every member state can block a proposal, and thus cannot be excluded in the negotiations. In contrast, under QMV a proposal requires the support of minimum 55% of member states representing at least 65% of the EU population. This allows majorities which exclude some member states.

Usually, there are multiple combinations of member states which pass the majority threshold under QMV. An important theoretical question is: which of these combinations will be chosen by the actors?

In a seminal book, William Riker (1962) argues that when choosing among multiple coalition options, rational players will “create coalitions just as large as they believe will ensure winning and no larger” (1962: 32). According to Riker, the so-called “minimal winning coalition” maximizes relative gains of its participants. Riker assumes that a coalition-builder must “pay” for each member added to the coalition, e.g. by giving away ministerial posts in a government. The optimal solution in this context is one where coalition partners barely pass the majority threshold.

Consider, for example, the following percentage seat distribution under simple majority voting: A = 40; B = 30; C = 18 and D = 12. Although this setting leads to eight coalitions that obtain a majority position, Riker's theory predicts that coalition AD (which obtains 52 seats) will be chosen. Under AD the coalition partners minimize the "payment" to the other coalition members while securing the largest proportion of power for themselves (Geys et al. 2006).

In legislative coalition-formation in the Council, "payment" usually takes the form of *logrolling*. Actors with hierarchically ordered preferences of different salience on at least two issues exchange support on those issues, thereby reaching a mutually beneficial (although not necessarily costless) outcome. This practice is amply described in literature on the Council both theoretically (Matilla and Lane 2001, Stokman and van Oosten 1994, Heisenberg 2005) and empirically (Aksoy 2012, König and Junge 2009, Lundgren et al. 2019).

If the logic of "minimal winning coalitions" applies to the Council, coalition-building stops at the moment when a minimally winning majority of member states is created. There is no need to include additional member states, as this would require additional "payment" through logrolling. In this context, non-members of the eurozone fear a situation where coalition-building is done among the "caucus" of eurozone members under exclusion of non-members.

In the extreme scenario, the eurozone "caucus" could build a winning coalition purely among itself. As Table 3 shows, this was mathematically possible during six years: 1999-2003 and 2015-2016. In the remaining years (2004-2014), eurozone members lacked voting weights under the voting arrangement of the Nice Treaty.

However, even in the latter period eurozone members might have enjoyed an advantage over the non-members. If they acted as a bloc, they would

have been in the position to pick as coalition partners the “cheapest” possible non-members, i.e. those demanding the smallest concessions.

Table 3. Voting weights of eurozone member states

Year	Proportion of eurozone MS	Required proportion of MS	Eurozone population	Required population	EZ voting weights	Req. voting weights	Result
2016	67,86%	55%	66,65%	65%	n/a	n/a	Pass
2015	67,86%	55%	66,65%	65%	n/a	n/a	Pass
2014	64,29%	50%	66,11%	62%	217	260	Fail
2013	62,96%	50%	66,26%	62%	213	255	Fail
2012	62,96%	50%	66,26%	62%	213	255	Fail
2011	62,96%	50%	66,26%	62%	213	255	Fail
2010	59,26%	50%	66%	62%	209	255	Fail
2009	59,26%	50%	66%	62%	209	255	Fail
2008	55,56%	50%	64,93%	62%	202	255	Fail
2007	48,15%	50%	64,66%	62%	195	255	Fail
2006	48,00%	50%	74,26%	62%	191	232	Fail
2005	48,00%	50%	74,26%	62%	191	232	Fail
2004	48,00%	50%	74,26%	62%	191	232	Fail
2003	80,00%	50%	85,72%	62%	151	150	Pass
2002	n/a	n/a	n/a	n/a	70	62	Pass
2001	n/a	n/a	n/a	n/a	70	62	Pass
2000	n/a	n/a	n/a	n/a	65	62	Pass
1999	n/a	n/a	n/a	n/a	65	62	Pass

Note: the table assumes that all eurozone member states vote in favour of a proposal, and all non-members vote against. Two simplifications are made: (1) Croatia’s EU membership is counted from 2014 (instead of July 2013). This does not affect the voting outcome, however. (2) The switch to voting rules of the Lisbon Treaty is coded from 2015 (instead of November 1st 2014). For proposals negotiated in November-December 2014, the voting result would switch from “fail” to “pass” (eurozone member states represented 64,29% of EU MS and 66,11% of population). The abbreviation “MS” stands for “member states”, “EZ” stands for “eurozone”. Source: own compilation.

One can challenge the notion that the logic of “minimum winning coalitions” applies to the Council. Indeed, some studies suggest that it is common for the Council to reach *unanimous* decisions rather than outvote member states. Three main explanations are provided in the literature:

- *Compliance*: by including more states in a coalition than necessary, the Council minimizes the risk that outvoted member states jeopardize

compliance with laws, e.g. by late, faulty or incomplete transposition of directives (Falkner et al. 2004).

- *Norms*: some scholars identify a ‘consensus reflex’ in the Council, which leads member states to negotiate as long as it takes to reach a unanimous decision (Heisenberg 2005; Lewis 2010).
- *Vote trading*: unanimity can furthermore result from successfully trading votes on multiple proposals (König and Junge 2009).

However, a look at the dataset used in this thesis suggests to question these explanations. As shown in Figure 9, there were on average 6,0 reservations per proposal. In other words, six member states were excluded on average from the winning coalition in the Council. This shows that the exclusion of a significant number of member states, rather than unanimous agreement, was the rule in the studied negotiations.

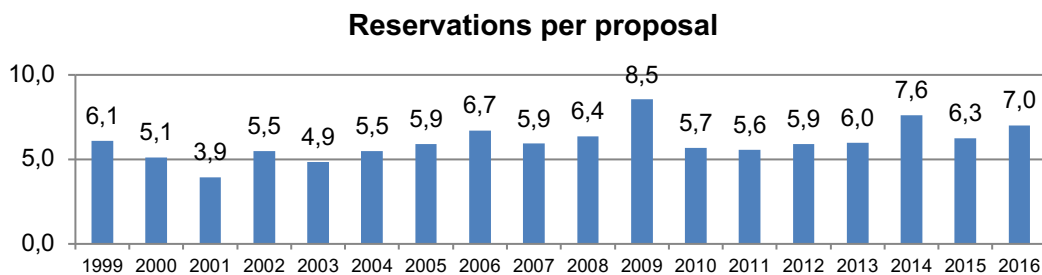


Figure 9. Reservations per proposal

In fact, this finding could suggest that conflict in the Council is more severe in the early stage of negotiations than during the final vote at the end of the legislative procedure. Literature on consensus in the Council is often based on voting data in the final stage, which is characterized by very low dissent (as measured by negative votes and abstentions).

However, extant research shows that at this stage voting is primarily used to send signals to *domestic audiences*: member states either stay silent to avoid the perception that they were weak or isolated in negotiations (Novak 2013) or, to the contrary, they selectively voice dissent to show that they were not responsible for domestically unpopular laws (Arregui and Thomson

2014). In either case, final-stage voting data might under-represent the true degree of conflict. In contrast, dissent in early-stage negotiations, which are strongly shielded from domestic scrutiny, might more adequately reflect how 'bloody' negotiations between member states really are.

So far, it was argued that eurozone members have an *incentive* to build "minimum winning coalitions" under the (partial) exclusion of non-members, as this minimizes the cost of achieving their preferred policy positions. In the following, it will be proposed that this process is *enabled* by exclusive eurozone-only bodies, most importantly the Eurogroup.

The Eurogroup is an informal body in which finance ministers of the eurozone discuss issues relating to the management of the common currency. According to its legal justification (Protocol No. 14 TFEU), it is needed to ensure stronger coordination of economic policies within the eurozone and "enhanced dialogue" between the member states whose currency is the euro. To this end, eurozone ministers are allowed to meet, when necessary, "to discuss questions related to the specific responsibilities they share with regard to the single currency".

In practice, the Eurogroup usually meets once per month, on the day before the session of the Economic and Financial Affairs Council (ECOFIN). Its meetings are confidential: no minutes are published while press statements do not reveal details of the discussion.

Crucially for the theoretical argument, there is some evidence that the Eurogroup plays a role in legislative negotiations in the Council.

According to Rebecca Adler-Nissen, "the Eurogroup's agenda has evolved over the years into areas that are not directly euro-related" (2014: 96). Initially, the group discussed technical issues (e.g. exchange-rate developments, economic forecasts, budgetary situations), but over time its scope expanded towards "substantial discussions about EU decisions and

legislation” (ibidem: 96). Importantly, sessions of the Eurogroup were used to strike legislative deals among eurozone members:

Nearly all compromises are reached during the Eurogroup’s Monday meeting and are not discussed in the ECOFIN on Tuesday. It is therefore difficult for non-euro members to have a say on issues discussed in the Eurogroup. As a senior official from Luxembourg states: ‘Of course we are polite, but the Eurogroup always reaches agreement before the ECOFIN meetings. At the ECOFIN, the euro-ministers are bored and just want to get things over with as soon as possible and go home’. Euro area ministers sometimes do not even bother to show up for the ECOFIN meetings (Adler-Nissen 2014: 97).

Uwe Puetter holds a similar view in his book dedicated to the Eurogroup. He claims that “the effects of informal governance can be as direct as in the case of co-ordinated position-taking by euro area ministers in the ECOFIN. In this case the Eurogroup pre-agrees pending Council decisions informally” (2004: 857).

In a similar vein, Ondarza underscores that responses to the euro crisis were largely pre-agreed by eurozone members as package deals in exclusive institutions, despite affecting all member states:

Although most of these reforms primarily affect the Eurozone, they are not without impact on non-Eurozone states. The existence of the common market links EU countries to each other, so the joint progress of the Euro-17 in areas such as financial and banking regulations, the tax system, and other aspects of economic policy, has consequences even for states that do not participate in the euro (2013: 13).

In sum, it can be argued that exclusive institutions such as the Eurogroup can serve as an *enabler* of legislative deal-making among eurozone members. This “secretive circle of finance ministers” (Puetter 2006) can be used to build coalitions under the exclusion of eurozone’s non-members, even on legislation which affects the EU as a whole.

3.3. Research design

3.3.1. Hypotheses

If it is true that eurozone members successfully build “minimum winning coalitions” at the expense of non-members, the observable implication would be that ‘ins’ are systematically more likely to be included in winning coalitions in the Council.

Thus, the main hypothesis and its corresponding null hypothesis can be formulated:

H1: Eurozone member states are more likely to be included in winning coalitions in the Council.

H1₀: Eurozone member states are not more likely to be included in winning coalitions in the Council.

This general claim can be refined in two directions. First, there are reasons to expect a different degree of the effect depending on the Council configuration²¹.

In particular, one could expect that eurozone members enjoy an advantage in proposals negotiated in the Economic and Financial Affairs Council (ECOFIN). This is because the Eurogroup and ECOFIN have an *overlapping set of decision-makers*: the same eurozone finance ministers sit in both bodies, making it easier to implement legislative deals struck in the Eurogroup. In contrast, such deals would be more difficult if eurozone finance ministers needed to coordinate with ministers responsible for different Council configurations. As Deniz Aksoy demonstrates, legislative deals are hard to maintain across configurations of the Council (2012).

²¹ The Council is composed of so-called ‘configurations’, each of which composed of national representatives responsible for a specific thematic area. Currently, there are nine configurations: Foreign Affairs Council; Education, Youth, Culture and Sport; Economic and Financial Affairs; Agriculture and Fisheries; Employment, Social Policy, Health and Consumer Affairs; Environment; Justice and Home Affairs; Competitiveness; Transport, Telecommunications and Energy. For more details see Chapter 4.3.2.

Furthermore, there is a *thematic overlap* between the Eurogroup and the ECOFIN Council. Because the Eurogroup and ECOFIN deal with relatively similar topics, it is imaginable that decisions made in one body will influence decision-making in the other. To illustrate, Eurogroup's work programme for the second half of 2016 focused, besides everyday management of the common currency, on topics which are arguably relevant for ECOFIN as well: "fostering sustainable economic growth and job creation", "implementation of structural reforms" and "sound fiscal policies in the Eurozone", as well as on "economic policy coordination among Eurozone member states" and "Eurozone aspects of the banking union" (Council of the European Union 2016).

In sum, the following hypothesis can be formulated:

H2: Eurozone member states are more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.

H₂₀: Eurozone member states are not more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.

However, some authors go further by claiming that eurozone members should be more successful across policy areas. For instance, as mentioned in the introduction of this thesis, Sweden's former deputy finance minister Gunnar Lund argued in the context of a eurozone accession referendum as follows:

I can guarantee that a decision to say no to the EMU means that Sweden will lose influence in economic policy, in agricultural policy, in environmental policy and in all the other policy fields (quoted after Naurin et al. 2010: 487).

Also Rebecca Adler-Nissen suggests that the impact of eurozone membership extends across policy areas. In her in-depth study of euro

outsiders, she points out that this might have to do with an expansion of the Eurogroup's agenda:

Following the December 2000 European Council of Nice, the Eurogroup began to deal with structural reforms related to the Lisbon strategy (...). The group now issues specific advice on labour market reform, product market reform and financial markets. Moreover, it debates overarching macroeconomic policy, international economic and energy policy. Even climate and environmental issues are discussed in the Eurogroup (Adler-Nissen 2014: 96).

Thus, a more far-reaching hypothesis on policy areas could be stated:

H3: Eurozone member states are more likely to be included in winning coalitions in the Council in more configurations than ECOFIN.

H3₀: Eurozone member states are not more likely to be included in winning coalitions in the Council in more configurations than ECOFIN.

A second refinement concerns potential effects of the euro crisis. Arguably, the euro crisis significantly strengthened the position of eurozone members vis-à-vis non-members. At that time, the prospect of sovereign defaults, chaos on financial markets and threats to national banking systems increased the pressure on eurozone decision-makers to prevent a collapse of the common currency (Ondarza 2013).

The result of this pressure was a transformation of exclusive euro bodies, in particular the Eurogroup, into the factual decision-making centre of the EU. According to an analysis by Nicolai von Ondarza, important decisions were first made among eurozone members and only then presented to non-members as 'done deals':

During the euro crisis, highly sensitive political issues such as financial assistance to individual euro area states, the reform of economic policy governance in the EU, and general EU policy and budget policy were almost inseparably intertwined. Yet decisions were often formulated in the eurozone structures and presented to pre-ins and permanent outsiders alike as faits accomplis (Ondarza 2013: 21).

This suggests the following final hypothesis:

H4: Eurozone member states were more likely to be included in winning coalitions in the Council during the euro crisis.

H4₀: Eurozone member states were not more likely to be included in winning coalitions in the Council during the euro crisis.

3.3.2. Data and variables

The theoretical arguments outlined above will be studied on an original dataset of 303 co-decision files negotiated in the Council between 1999 and 2016, as described in detail in Chapter 2. The dataset contains information about substantive reservations recorded by member states at the end of early-stage Council negotiations, before any exchange with the European Parliament. Substantive reservations signal that the member state was *excluded* from the winning coalition built by the presidency. In contrast, member states that do not reserve their positions are inferred to be *included* in the coalition.

Thus, the **dependent variable** of the analysis shows if a member state was included in (“1”) or excluded from (“0”) a winning coalition. Additionally, each observation contains the date at which the negotiation on the proposal took place. This results in a dataset tracking multiple entities (member states) over multiple periods of time (corresponding to the timestamps of the negotiations) with 6674 observations: 1740 for the period before the EU enlargement of 2004 (116 proposals x 15 member states) and 4934

observations in the post-enlargement period (187 proposals x 25-28 member states).

The main **independent variable** is eurozone membership of a state, in the form of a binary variable taking the value “1” if a member state was member of the eurozone at the time of the negotiation, and “0” otherwise. Information on the timing of eurozone accessions was taken from the Commission’s website (European Commission 2020).

Additionally, the analysis includes four types of **control variables** identified in the literature as relevant determinants of negotiation performance. They will serve to isolate the effect of the main predictor.

First, the models control for holding the *Council presidency*. Numerous studies show that member states holding the presidency are more successful in Council negotiations (Kollman 2003; Schalk et al. 2007; Thomson 2008; Veen 2011; Warntjen 2008). This is due to their role as coalition ‘formateurs’ (Obholzer 2014): presidents gain superior knowledge about ideal points and bottom lines of the member states through bilateral negotiations between national delegations and the presidency, so-called ‘confessionals’ (Westlake and Galloway 2004: 270). On the basis of this knowledge, presidencies see which compromise proposals could pass the majority threshold and pick among them the one closest to their own ideal point. In this way, presidencies can improve their negotiation performance. Data on the timing of Council presidencies was sourced from the Wikipedia entry on the topic and double-checked with available official websites of the presidencies²².

Secondly, *population size* is taken into account as a proxy for the size of member states. The relation between size and negotiation performance is controversial (see Chapter 2.4. for a more extensive discussion). Some scholars establish a link between being ‘big’ and ‘powerful’, be it due to

²² To the author’s knowledge, neither the Council nor another EU institution maintains an official source with the history of Council presidencies.

stronger financial capabilities of large states (Bailer et al. 2014) or their lower reputation constraints (Naurin 2015). Others argue in the opposite direction. For instance, Golub (2012) and Cross (2013) find that smaller member states are significantly more successful in Council negotiations due to narrower sets of salient preferences. Without delving further into this debate, population is included as a proxy for member state size, and coded in millions using Eurostat data.

Thirdly, the analysis includes a variable indicating if a member state was a *net contributor to the EU budget*. The significance of this factor for decision-making in the Council was identified in studies based on the DEU dataset (Zimmer et al. 2005) and on voting records in redistributive policy areas (Bailer et al. 2014), even though Golub (2012) challenges the relationship.

In essence, the claim is that the contribution status casts a shadow over Council negotiations. Net contributors, who ‘mount the bill’ for the integration project, receive a return on their financial investment in terms of concessions by net recipients, who concede hoping for future payments (Kauppi and Widgren 2004). Contributor status is based on the operating budgetary balance as percentage of GDP reported in Financial Reports of the European Commission. The measure captures the difference between allocated operating expenditure (i.e. excluding administration) and own resources payments of member states (European Commission 2017). On this basis a binary variable is generated, coding “1” for net contributors and “0” for net recipients²³.

Finally, the models control for *ideological variables*. The importance of ideological (dis)alignment was identified in extant studies on Council negotiations, which suggest that a left-oriented Council before enlargement

²³ Some researchers (e.g. Hagemann et al. 2017) use an alternative measure of the net operating balance, based on data from the website “money-go-round.eu”. The main difference between official reports of the Commission and data from this website consists in the fact that the latter counts national contributions to the European Investment Bank, European Central Bank and the Research Fund for Coal and Steel. The official Commission data is chosen because official balances of the Commission are more likely to be the basis for argumentation in Council negotiations – and thus of more substantive importance for the present analysis. An additional reason is that money-go-round data can be seen somewhat biased since it counts national contributions to the mentioned institutions without accounting for national receipts.

favoured left-leaning governments (Mattila 2004, Hagemann 2008), while the opposite (a right-oriented Council favouring similarly oriented governments) was found for some post-enlargement periods (Mattila 2009, Hosli et al. 2011). At the same time, the degree to which ideology matters is still being discussed, with Robert Thomson arguing that it matters for only a minority of Council negotiations (Thomson 2004, Thomson et al. 2011).

The present analysis will include two ideological measures: on the *left-right* and the *pro-anti EU integration* position of governments. These dimensions constitute the classic model of understanding EU's political space (Hix 1999, Hooghe et al. 2002).

Data on ideological positions is based on the Comparative Manifesto Project, or CMP (Lehmann et al. 2015), and was originally compiled by Christopher Wratil (2016)²⁴. CMP is the largest collection of election manifestos in political science which covers all EU member states except Malta, and Latvia after 2011. Party manifestos are split into quasi-sentences which are then assigned by human coders to one of 57 categories. The counts of categories serve to determine where a party stands on particular political topics²⁵.

For the left-right variable, CMP's Right-Left index (RILE) is used, which is constructed by subtracting the sum of 13 "left"-associated categories from the sum of 13 "right"-oriented categories and dividing it by the sum of all categories. The labelling of categories as 'left' and 'right' was done on the basis of theoretical writings about left-right cleavages. It reflects key

²⁴ In the context of this research project, CMP is superior to survey-based datasets for three reasons. First, CMP data is more comparable across EU countries and time because the use of manifestos eliminates the problem of 'differential item functioning' in expert surveys, where experts interpret terms like 'left' and 'right' differently (Bakker et al. 2014). Secondly, the dataset allows for more time variation, since experts might be guided by ideological reputation of parties instead of promised or actual performance. Finally, by measuring positions at the time of government formation, CMP eliminates fluctuations of electoral cycles.

²⁵ Both ideological indicators are seat-weighted to account for differences in the degree to which individual parties can determine government policy. Seat-weighting is suggested by recent findings, e.g. Martin and Vanberg 2014. In the case of majority governments, the indicators show seat-weighted values of all cabinet parties. If there is a minority government with changing support patterns, the values correspond to the midpoint between seat-weighted values of the cabinet parties and all opposition parties. For minority governments with explicit, stable support of opposition parties the value reflects the midpoint between government parties and opposition parties supporting the government. For each minority government, the Political Data yearbook (a series of annual reports of the European Journal of Political Research) is used to determine if the government was supported by particular parties or on an issue-by-issue basis.

conflicts such as a positive versus negative approach to protectionism, preference for market regulation versus free enterprise, or expansion versus limitation of the welfare state. Appendix C lists all categories of the index.

The pro-anti integration variable is constructed as the difference of positive minus negative quasi-sentences on European integration. This seems to be the obvious choice given that there are only two categories in the CMP corresponding clearly to European integration.

The two measures will be included in the analysis as the ideological distance between a member state government and (1) the government of the country holding the presidency, as well as (2) between a member state government and the average ideological position in the Council. To measure the distance between a given member state and the Council on the left-right and EU dimension, the absolute distance between the position of the member and the average position of the Council is calculated. Proximity of a member state to the presidency on the left-right dimension and EU dimension is calculated as the absolute distance between the member state's position and the position of the country holding the presidency.

Table 4 gives an overview of variables to be used in the analysis, as well as of data sources and coding. Table 5 shows descriptive statistics for all variables.

Table 4. Overview of variables

Variable	Source/coding
Eurozone membership	European Commission (1 for members, 0 for non-members)
Council presidency	Presidency websites (1 for presidency, 0 for no presidency)
Net contributor	European Commission (1 for net contributor, 0 for net recipient)
Population size	Eurostat (Millions of inhabitants)

MS distance to Council's left-right position	CMP (RILE), seat-weighted average of cabinet parties at last election (absolute distance of MS to Council average)
MS distance to Council's pro-anti integration position	CMP (per108-per110), seat-weighted average of cabinet parties at last election (absolute distance of MS to Council average)
MS distance to presidency's left-right position	CMP (RILE), seat-weighted average of cabinet parties at last election (absolute distance of MS to presidency)
MS distance to presidency's pro-anti integration position	CMP (per108-per110), seat-weighted average of cabinet parties at last election (absolute distance of MS to presidency)

Table 5. Descriptive statistics

Variable	Observations	Mean	SD	Min	Max	Source/coding
Eurozone membership	6,674	0.644	0.479	0	1	European Commission (1 for members, 0 for non-members)
Council presidency	6,674	0.0454	0.208	0	1	Presidency websites (1 for presidency, 0 for no presidency)
Net contributor	6,674	0.488	0.500	0	1	European Commission (1 for net contributor, 0 for net recipient)
Population size	6,674	20.34	24.07	0.403	82.54	Eurostat (Millions of inhabitants)
MS distance to Council's left-right position	6,282	9.671	6.596	0.00112	35.99	CMP (RILE), seat-weighted average of cabinet parties at last election (absolute distance of MS to Council average)
MS distance to Council's pro-anti integration position	6,282	1.369	1.231	0.00041	8.203	CMP (per108-per110), seat-weighted average of cabinet parties at last election (absolute distance of MS to Council average)
MS distance to presidency's left-right position	6,242	14.238	10.860	0	56.520	CMP (RILE), seat-weighted average of cabinet parties at last election (absolute distance of MS to presidency)
MS distance to presidency's pro-anti integration position	6,242	2.072	1.934	0	10.476	CMP (per108-per110), seat-weighted average of cabinet parties at last election (absolute distance of MS to presidency)

3.3.3. Methods

The dataset will be studied using multivariate logistic regressions, which is the appropriate technique for a binary dependent variable (“1” indicating inclusion in a winning coalition and “0” for exclusion) and multiple independent variables. Tests for compliance with core assumptions of logistic regressions were conducted for all models calculated in this Chapter and Appendix. A diagnosis of multicollinearity was conducted by checking if Variance Inflation Factors of independent variables were lower than 10, which was the case in all models. Inspections of Pregibon’s dbeta plots failed to detect overly influential observations. Categorical variables were inspected using cross-tabs to rule out ‘zero cells’. Finally, the models use standard errors clustered by member states to adjust for the possible non-independence of repeated measurements of member states over time.

The models use two different specifications. In models *without fixed effects*, the coefficient for eurozone membership simply shows to what extent inclusion differs for eurozone members compared to non-members, holding the control variables constant. In contrast, in models *with fixed effects* at the level of member states the eurozone membership variable captures the effect of *change* in membership status, or, simply put, the effect of joining the eurozone. The rationale for adding fixed effects is that although the basic models include control variables corresponding to known factors impacting negotiation performance in the Council, it is possible that there are unobserved confounders which vary across states but do not change over time. To control for them, fixed effects models include individual intercepts for each state (state dummies) which absorb the influence of time-invariant omitted factors.

As a further refinement, the models are calculated separately for the period before the ‘big’ EU enlargement of 2004 (01/1999-04/2004) and post-enlargement (05/2004-12/2016). This is done to account for political dynamics caused by this substantial enlargement round. Council literature shows that the arrival of ten ‘new’ states affected the cleavage structure,

notably by adding an East-West cleavage to the long-standing North-South cleavage (Mattila 2009, Veen 2011, Thomson 2009, Toshkov 2017). Furthermore, enlargement affected the preference heterogeneity in the Union in terms of structural characteristics of member states (Koenig and Bräuninger 2004) and their policy positions (Veen 2011). Estimates pooled across the full dataset might fail to account for these qualitative differences.

Division in 'pre-enlargement' and 'post-enlargement' cases is done on the basis of the timing of the reservations. Proposals with reservations recorded before 1 May 2004 (accession date of the ten 'new' member states) are counted as 'before enlargement', whereas cases with reservations recorded afterwards are placed in the 'after enlargement' category. The reason for choosing this time stamp is straightforward: before 1 May 2004, 'new' member states have not been EU members, and hence did not have the formal right to participate in coalition-building in the Council, which includes the ability to record reservations. For Bulgaria and Romania, the timestamp is 1 January 2007; for Croatia it is 1 July 2013. However, no division is made for these accessions, since their impact on the political dynamics in the Council was arguably much smaller than the big enlargement of 2004.

3.4. Analysis

3.4.1. General inclusion effects

This section addresses the first hypothesis on the impact of eurozone membership on Council negotiations:

H1: Eurozone member states are more likely to be included in winning coalitions in the Council²⁶.

Table 6 reports the pre-enlargement models. To facilitate interpretation, coefficients are reported as both log odds and average marginal effects. Average marginal effects (AME) show in this case the average change in

²⁶ Null hypothesis: H1₀: Eurozone member states are not more likely to be included in winning coalitions in the Council.

the probability of inclusion when an independent variable changes by a defined unit, holding the other independent variables at the observed values (Hanmer and Kalkan 2013)²⁷.

Table 6. Inclusion effects before enlargement

	Inclusion in Council coalitions before EU enlargement of 2004			
	Model 1		Model 2	
	Log odds	AME	Log odds	AME
Eurozone membership	0.230** (0.112)	0.048** (0.027)	0.485*** (0.0765)	0.102*** (0.016)
Council presidency	2.119*** (0.292)	0.283*** (0.026)	2.049*** (0.281)	0.277*** (0.019)
Net contributor	-0.321** (0.148)	-0.065*** (0.024)	0.0257 (0.457)	0.005 (0.093)
Population size	-0.0137*** (0.00245)	-0.003*** (0.000)	-0.240*** (0.0901)	-0.050*** (0.000)
Pro-anti int.: MS-Presidency	0.0255 (0.0318)	-0.005 (0.008)	0.0292 (0.0347)	0.006 (0.000)
Pro-anti int.: MS-Council	-0.0222 (0.0317)	0.005 (0.005)	-0.0376 (0.0540)	-0.008 (0.000)
Left-right: MS-Presidency	0.000882 (0.00343)	-0.001 (0.002)	2.66e-06 (0.00329)	0.000 (0.000)
Left-right: MS-Council	-0.00487 (0.00912)	0.000 (0.001)	-0.00779 (0.00680)	-0.002 (0.000)
Constant	1.036*** (0.231)		1.912** (0.768)	
Fixed effects	No		Member states	
Standard errors clustered by	Member states		Member states	
Number of legislative proposals	116		116	
Number of member states	15		15	
Observations	1,740		1,740	
Log likelihood	-1038.913		-1028.753	
Akaike Information Criterion	2095.826		2071.507	

Note: Clustered standard errors in parentheses. The reported Average Marginal Effects (AME) show: the predicted change of probabilities for moving from "0" to "1" for binary variables (Eurozone membership, Council presidency, Net contributor); for Population size they show the effect of +1 million of inhabitants; for the four ideological variables the effect of +1 point on the respective ideological scale. *** p<0.01, ** p<0.05, * p<0.1.

²⁷ AME are chosen over marginal effects at means (MEM) due to the high number of binary independent variables in the model. As argued by Long and Freese (2014), a major problem of MEM results from assuming unrealistic values of means. In the present case MEM would assume, for instance, that member states can be partial eurozone members or Council presidents, which would be impossible substantively and could bias the results.

According to model 1²⁸, eurozone members were *more* likely to be included in Council coalitions than non-members in the pre-enlargement period. On average, being a eurozone member increased the probability of inclusion by 0.048 (or 4.8%) at the significance level of 0.05, holding the controls constant. Model 2, with added fixed effects²⁹, shows the “accession effect” for Greece, the only country which joined the eurozone before the EU enlargement of 2004. Accordingly, Greece’s probability of inclusion increased by 0.102 (10.2%) at $p < 0.001$ in the pre-enlargement period.

These findings seem to confirm Hypothesis 1, but there are reasons to be sceptical. As the next subchapter (3.3.2.) will show, during the pre-enlargement period eurozone members fared better in three Council configurations which arguably do not have much to do with eurozone’s actors and topics: Agriculture and Fisheries (AGRIFISH), Environment (ENVI) and Education, Youth, Culture and Sport (EYCS). While more detailed research would be needed to settle this issue definitely, it could well be that factors other than eurozone membership explain differences in these policy areas.

Turning to the post-enlargement models (Table 7), Model 3 shows that after the EU enlargement of 2004 eurozone members were *less* likely to be included in winning coalitions as compared with non-members. On average, the probability of inclusion for members was lower by 0.05 (5%) at $p < 0.001$, holding the control variables constant. Furthermore, model 4 shows the pooled “accession effect” for seven member states which joined the euro in this period: Slovenia (accession in 2007), Cyprus and Malta (2008), Slovakia (2009), Estonia (2011), Latvia (2014) and Lithuania (2015). The coefficient for eurozone membership is not statistically significant in this

²⁸ Equation for models 1 and 3: $Logit(Incl_{i,k}) = \beta_0 + \beta_1 * Eurozone\ membership_{i,k} + \beta_2 * Council\ presidency_{i,k} + \beta_3 * Net\ contributor_{i,k} + \beta_4 * Population\ size_{i,k} + \beta_5 * Pro\text{-}anti\ integration\ distance_i\ to\ presidency_k + \beta_6 * Pro\text{-}anti\ integration\ distance_i\ to\ Council\ average_k + \beta_7 * Left\text{-}right\ distance_i\ to\ presidency_k + \beta_8 * Left\text{-}right\ distance_i\ to\ Council\ average_k$, where $Incl_{i,k}$ denotes the probability of inclusion of the i th member state in the winning coalition of the k th proposal.

²⁹ Equation for models 2 and 4: $Logit(Incl_{i,k}) = \beta_0 + \beta_1 * Eurozone\ membership_{i,k} + \beta_2 * Council\ presidency_{i,k} + \beta_3 * Net\ contributor_{i,k} + \beta_4 * Population\ size_{i,k} + \beta_5 * Pro\text{-}anti\ integration\ distance_i\ to\ presidency_k + \beta_6 * Pro\text{-}anti\ integration\ distance_i\ to\ Council\ average_k + \beta_7 * Left\text{-}right\ distance_i\ to\ presidency_k + \beta_8 * Left\text{-}right\ distance_i\ to\ Council\ average_k + \gamma_{i...n} * Member\ state_{i...n}$, where $Incl_{i,k}$ denotes the probability of inclusion of the i th member state in the winning coalition of the k th proposal.

model. Thus, for these seven countries, the adoption of the euro did not change the probability of inclusion in winning coalitions in the Council.

Table 7. Inclusion effects after enlargement

	Inclusion in Council coalitions after EU enlargement of 2004			
	Model 3		Model 4	
	Log odds	AME	Log odds	AME
Eurozone membership	-0.304*** (0.0906)	-0.050*** (0.015)	-0.136 (0.229)	-0.022 (0.037)
Council presidency	1.669*** (0.265)	0.181*** (0.015)	1.691*** (0.256)	0.181*** (0.014)
Net contributor	-0.360*** (0.104)	-0.061*** (0.018)	0.0983 (0.412)	0.016 (0.068)
Population size	-0.0157*** (0.00185)	-0.003*** (0.000)	0.115* (0.0625)	0.019* (0.000)
Pro-anti int.: MS-Presidency	0.0618*** (0.0202)	0.010*** (0.003)	0.0506** (0.0204)	0.008** (0.000)
Pro-anti int.: MS-Council	0.0209 (0.0387)	0.003 (0.006)	-0.0250 (0.0250)	-0.004 (0.000)
Left-right: MS-Presidency	8.52e-05 (0.00607)	0.000 (0.001)	-0.000437 (0.00654)	-0.001 (0.000)
Left-right: MS-Council	0.00955 (0.00812)	0.002 (0.001)	0.00238 (0.00883)	0.000 (0.000)
Constant	1.642*** (0.125)		-0.240 (0.654)	
Fixed effects	No		Member states	
Standard errors clustered by	Member states		Member states	
Number of legislative proposals	187		187	
Number of member states	25/27/28		25/27/28	
Observations	4,505		4,505	
Log likelihood	-2310.763		-2277.3877	
Akaike Information Criterion	4639.526		4570.775	

Note: Clustered standard errors in parentheses. The reported Average Marginal Effects (AME) show: the predicted change of probabilities for moving from “0” to “1” for binary variables (Eurozone membership, Council presidency, Net contributor); for Population size they show the effect of +1 million of inhabitants; for the four ideological variables the effect of +1 point on the respective ideological scale. *** p<0.01, ** p<0.05, * p<0.1.

Overall, the null hypothesis $H1_0$ cannot be rejected. In the pre-enlargement period, eurozone members were more likely to be included in winning coalitions, but this pertained to policy areas which arguably do not have much to do with plausible mechanisms of exclusion. In the post-enlargement period, the picture is clearer: eurozone members were

statistically significantly *less* likely to be included in comparison with non-members, while a model with fixed effects shows no statistically significant effect of accession.

3.4.2. Inclusion per Council configuration

After the previous subchapter examined broad claims on eurozone membership's impact on inclusion in Council coalitions, the present chapter will look at these effects per policy area. The goal is to determine if the degree of inclusion of eurozone members depends on the policy area. Two hypotheses will be examined:

H2: Eurozone member states are more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council³⁰.

H3: Eurozone member states are more likely to be included in winning coalitions in the Council in more configurations than ECOFIN³¹.

Division into policy areas follows the structure of the Council. The Council is composed of so-called 'configurations', each of which is responsible for a specific thematic area. Table 8 summarizes its structure.

Table 8. Overview of Council configurations

Council configuration	Policy topics covered ³²
Foreign Affairs Council	Foreign policy, defence and security, trade, development cooperation, humanitarian aid
Education, Youth, Culture and Sport	Cooperation between member states on education, youth, culture and sport
Economic and Financial Affairs	Economic policy, taxation, regulation of financial services

³⁰ Null hypothesis: H2₀: Eurozone member states are not more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.

³¹ Null hypothesis: H3₀: Eurozone member states are not more likely to be included in winning coalitions in the Council in more configurations than ECOFIN.

³² Source of this summary: Council of the EU (2017).

Agriculture and Fisheries	Production of food, rural development, management of fisheries
Employment, Social Policy, Health and Consumer Affairs	Increase of employment levels, living and working conditions, human health, consumer protection
Environment	Environmental protection, prudent use of resources, protection of human health, climate change
Justice and Home Affairs	Judicial cooperation, migration, border management, police cooperation
Competitiveness	Internal market, industry, research and innovation, space policy
Transport, Telecommunications and Energy	Infrastructure, trans-European transport, communications, energy networks

To test the hypotheses, logistic regression models for the pre- and post-enlargement period will be estimated, with the addition of interaction terms between eurozone membership and dummy variables indicating the Council configuration of the proposal. These interactions are designed to capture how inclusion in a Council configuration differs for eurozone members as compared to a reference category, holding the control variables constant³³.

Given the large number of combinations (Eurozone membership × Council configurations) and the overall complexity of the model, the results will be presented through two graphs, which show, using average marginal effects, how the mean predicted probability of inclusion in a given Council configuration differed for eurozone members versus non-members. Figure 9 shows this effect for observations before EU enlargement of 2004 and Figure 10 for the post-enlargement period. The full regression models can be found in Appendix D.

³³ The following equations are estimated in models 5 (pre-enlargement) and 6 (post-enlargement): $Logit(Incl_{i,k}) = \beta_0 + \beta_1 * Eurozone\ membership_{i,k} + \beta_2 * Council\ presidency_{i,k} + \beta_3 * Net\ contributor_{i,k} + \beta_4 * Population\ size_{i,k} + \beta_5 * Pro\text{-}anti\ integration\ distance_i\ to\ presidency_k + \beta_6 * Pro\text{-}anti\ integration\ distance_i\ to\ Council\ average_k + \beta_7 * Left\text{-}right\ distance_i\ to\ presidency_k + \beta_8 * Left\text{-}right\ distance_i\ to\ Council\ average_k + \beta_9 \dots 17 * Council\ configuration_k + \beta_{18} \dots 26 * Eurozone\ membership_i \times Council\ configuration_k$, where $Incl_{i,k}$ denotes the probability of inclusion of the i th member state in the winning coalition of the k th proposal.

Figure 10. Inclusion of eurozone members vs. non-members per Council configuration before EU enlargement



Note: Average Marginal Effects with 95% confidence intervals. Quantities based on model 5 as found in Tables 1&2 of Appendix D. AGRIFISH: Agriculture and Fisheries; COMPET: Competitiveness; ECOFIN: Economic and Financial Affairs; ENV: Environment; EPSCO: Employment, Social Policy, Health and Consumer Affairs; EYC: Education, Youth and Culture; TTE: Transport, Telecommunication and Energy.

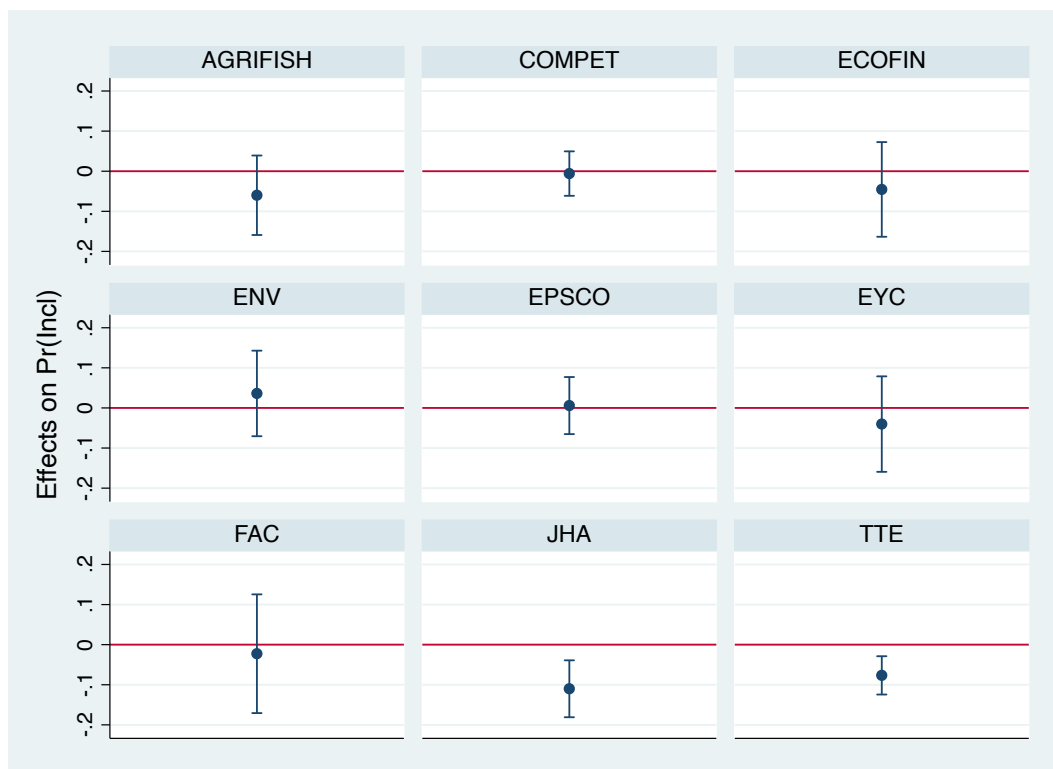
In the pre-enlargement period (Figure 10), eurozone membership did not have a statistically significant effect on inclusion in proposals negotiated in the *ECOFIN Council*. Thus, the null hypothesis (H_{20}) cannot be rejected for this period. In contrast, eurozone members were statistically significantly more likely to be included than non-members in three configurations: Agriculture and Fisheries (AGRIFISH), Environment (ENV) and Education, Youth, Culture and Sport (EYC) – thereby seemingly supporting H3.

Nevertheless, it is rather unlikely that this outcome is due to eurozone-related effects, since the topics of the proposals are in no way related to topics dealt with by eurozone institutions, and there is no overlap between actors sitting in eurozone institutions and the AGRIFISH, ENV and EYCS

configurations. It could be assumed that factors other than eurozone membership have driven the result. For instance, the affected issues could have been particularly non-salient for the eurozone 'outs' without any relation to membership effects.

Also in the post-enlargement period (Figure 11) eurozone members did not enjoy a statistically significantly higher probability of inclusion in ECOFIN proposals. As regards other configurations, eurozone members were statistically significantly *less* likely to be included in the configurations of Transport, Telecommunications and Energy (TTE) as well as Justice and Home Affairs (JHA). For the remaining configurations, the effects were statistically indistinguishable from zero. In sum, neither H_{20} nor H_{30} can be rejected for the post-enlargement period.

Figure 11. Inclusion of eurozone members vs. non-members per Council configuration after EU enlargement



Note: Average Marginal Effects with 95% confidence intervals. Quantities based on model 6 as found in Tables 1&2 of Appendix D. AGRIFISH: Agriculture and Fisheries; COMPET: Competitiveness; ECOFIN: Economic and Financial Affairs; ENV: Environment; EPSCO: Employment, Social Policy, Health and Consumer Affairs; EYC: Education, Youth and Culture; TTE: Transport, Telecommunication and Energy.

3.4.3. Inclusion during the euro crisis

The final step of the analysis seeks to determine if there was any change in eurozone members' inclusion during the euro crisis. As indicated in the theoretical section, one could expect that the need to devise quick reactions to the crisis in eurozone-only bodies such as the Eurogroup might have had consequences for the balance of power between eurozone 'ins' and 'outs' Council. The following hypothesis will be studied:

H4: Eurozone member states were more likely to be included in winning coalitions in the Council during the euro crisis³⁴.

To assess eurozone crisis effects, a logistic regression model will be estimated with the addition of an interaction term between eurozone membership and a dummy variable indicating the period of the euro crisis³⁵.

A cut-off point delimiting the beginning of the euro crisis must be defined for the purpose of the analysis. In the present analysis, 1 January 2010 is chosen, since this corresponds to the year in which the pressure of the crisis reached its first peak. In 2010, eurozone members started facing sharply increasing spreads of sovereign bonds and were forced to quickly establish rescue mechanisms, as well as to urgently debate reforms of economic governance. Thus, since 2010 eurozone bodies had reasons to operate in 'crisis mode', which, as hypothesized, might have translated into exercising more influence on decision-making in the Council.

Results are presented in Table 9. The interpretation of this table can be simplified by additionally calculating the average marginal effect of inclusion for eurozone members versus non-members in the crisis period. According to this calculation (not reported in the table), the probability of inclusion for

³⁴ Null hypothesis: H4₀: Eurozone member states were not more likely to be included in winning coalitions in the Council during the euro crisis.

³⁵ The equation for model 7 is as follows: $Logit(Incl_{i,k}) = \beta_0 + \beta_1 * Eurozone\ membership_{i,k} + \beta_2 * Council\ presidency_{i,k} + \beta_3 * Net\ contributor_{i,k} + \beta_4 * Population\ size_{i,k} + \beta_5 * Pro\text{-}anti\ integration\ distance_i\ to\ presidency_k + \beta_6 * Pro\text{-}anti\ integration\ distance_i\ to\ Council\ average_k + \beta_7 * Left\text{-}right\ distance_i\ to\ presidency_k + \beta_8 * Left\text{-}right\ distance_i\ to\ Council\ average_k + \beta_9 * Euro\ crisis\ period_k + \beta_{10} * Eurozone\ membership_i \times Euro\ crisis\ period_k$, where $Incl_{i,k}$ denotes the probability of inclusion of the i th member state in the winning coalition of the k th proposal.

members *decreased* in this period by -0.049 (4.9%), a statistically significant effect at $p < 0.05$. This shows that the average probability of inclusion in winning coalitions of eurozone members did not improve in the pre-crisis period. To the contrary, eurozone members were *less* likely to be included than non-members. Thus, H_{40} cannot be rejected.

Table 9. Inclusion effects during the euro crisis

	Inclusion in Council coalitions after EU enlargement of 2004	
	Model 7	
	Log odds	AME
Eurozone membership	-0.343*** (0.126)	-0.054*** (0.015)
Euro crisis period	0.223 (0.139)	0.041 (0.011)
EZ membership x Euro crisis period	0.031 (0.178)	0.049 (0.019)
Council presidency	1.685*** (0.279)	0.181*** (0.016)
Net contributor	-0.346*** (0.103)	-0.059*** (0.018)
Population size	-0.0157*** (0.00189)	-0.002*** (0.000)
Pro-anti int.: MS-Presidency	0.0654*** (0.0208)	0.011*** (0.004)
Pro-anti int.: MS-Council	0.0127 (0.0389)	0.03 (0.007)
Left-right: MS-Presidency	-0.00174 (0.00584)	0.000 (0.001)
Left-right: MS-Council	0.00976 (0.00789)	0.002 (0.001)
Constant	1.540*** (0.149)	
Standard errors clustered by	Member states	
Number of legislative proposals	187	
Number of member states	25/27/28	
Observations	4,505	
Log likelihood	-2310.763	
Akaike Information Criterion	4639.526	

Note: Clustered standard errors in parentheses. The reported Average Marginal Effects show: the predicted change of probabilities for moving from "0" to "1" for binary variables (Eurozone membership, Euro crisis period, Council presidency, Net contributor); for Population size they show the effect of +1 million of inhabitants; for the four ideological variables the effect of +1 point on the respective ideological scale. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

3.4.4. Robustness checks

Three robustness checks were performed to validate the results. First, the models were re-estimated using multiple imputation to account for missing data. Missingness affected 6% of observations and was due to missing values for the ideological positions of governments in the post-enlargement period obtained from the Comparative Manifestos Project. Specifically, data was missing for governments of Malta for the entire period and for Latvia after 2011. To see how this affects the regression results, all models using post-enlargement data were re-estimated using imputed values. The models turn out to be robust to imputation (see Appendix E1).

Secondly, in the model analysing the impact of the euro crisis (model 7), January 2010 is used as a cut-off point delimiting the crisis period. A sensitivity analysis was conducted to assess if this choice impacts the findings. To this end, the model was re-calculated using four different cut-offs points (2009, 2010, 2011 and 2012) and reported in Appendix E2. Regardless of the chosen cut-off point, the probability of inclusion for eurozone members versus non-members *decreased* in the crisis period to a similar degree.

Finally, Appendix E3 assesses if the effects of eurozone membership differ for 'old' versus 'new' EU member states. As outlined in Chapter 1.3.2., non-members of the eurozone among 'old' member states might have developed political tactics compensating for their non-membership. As a result, it might be that they are less affected by eurozone-related effects than the 'new' members, which did not have the same experience. To assess this claim, separate models for 'old' and 'new' member states were estimated in the post-enlargement period (2004-2016). The models show that eurozone membership had a similarly large (negative) effect on inclusion in both groups of member states.

3.5. Chapter summary

In the theoretical section of this chapter, the House of Lords (2016: 54) is quoted as voicing concerns about “caucusing” among eurozone member states. According to the quote, the British government “has long been concerned” that eurozone member states might use their collective voting power to outvote non-members. This chapter addressed this concern from a theoretical and empirical perspective.

“Caucusing” might indeed be in the interest of eurozone members. If William Riker’s logic of “minimum winning coalitions” applies to Council negotiations, eurozone members might want to maximize their gains during legislative negotiations by keeping majority coalitions as small as possible. To this end, they could form eurozone-only winning coalitions without the participation of non-members: this option was mathematically possible during six years where the eurozone commanded a qualified majority in the Council (1999-2003, 2015-2016). In the remaining years (2004-2014), a cohesive eurozone bloc might have still enjoyed an advantage over non-members by choosing ‘cheap’ coalition partners from outside the eurozone, i.e. those which demanded the smallest concessions.

This process of coalition-building among eurozone members could have been enabled by the institutional setup: with the Eurogroup, eurozone members have a secretive body for discussing legislation and crafting compromises, without the presence of non-members in the room.

The observable implication of both processes would be that eurozone members are more likely to be included in winning coalitions in the Council (H1). This general hypothesis was then refined in two directions. First, the advantage enjoyed by eurozone members was hypothesized to depend on the policy area of the proposal. It should be particularly strong in the ECOFIN Council, which shares both actors and topics with exclusive eurozone institutions like the Eurogroup (H2). Some authors go further by

suggesting that the agenda of eurozone's institutions has expanded so strongly that effects can be expected even beyond ECOFIN (H3).

Secondly, the degree of the effect should depend on the timeframe during which a proposal was negotiated. The advantage enjoyed by eurozone members should be particularly strong during the euro crisis, where eurozone institutions have arguably become dominant actors in EU decision-making (H4).

In sum, the following hypotheses were proposed:

H1: Eurozone member states are more likely to be included in winning coalitions in the Council.

H2: Eurozone member states are more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.

H3: Eurozone member states are more likely to be included in winning coalitions in the Council in more configurations than ECOFIN.

H4: Eurozone member states were more likely to be included in winning coalitions in the Council during the euro crisis.

These four hypotheses were studied on a dataset of 303 Council negotiations from the years 1999-2016. The statistical models controlled for known factors influencing negotiation performance in the Council: holding the presidency, population size, contributor status to the EU budget, as well as ideological congruence (left/right, pro/anti integration) between a member state and both the average in the Council and the presidency.

Contrary to theoretical expectations, the analysis yielded four null findings. Eurozone members were not more likely to be included in winning coalitions in the Council (H1). This applied equally to proposals negotiated in the

ECOFIN Council (H2) as well as to other policy areas/Council configurations (H3). Furthermore, eurozone members' probability of inclusion did not increase during the euro crisis (H4).

The next chapter provides a possible explanation for this puzzling finding. For each of the four hypotheses, *coalition patterns* in the Council will be presented. The picture emerging from this analysis is quite clear: eurozone members were too divided to form powerful coalitions in the Council.

Thus, in theory the eurozone has an incentive and an enabling environment to exploit their superior voting power at the cost of non-members. But in practice policy preferences of eurozone members differ too much to exploit these advantages.

4. Eurozone cleavage in the Council?

In theory, the eurozone forms a powerful political bloc in the Council. Since the introduction of the euro, its members, taken together, have either commanded enough voting power to outvote non-members or were close to the majority threshold. As argued in the previous chapter, eurozone member states have an incentive to exploit this combined political weight by forming “minimum winning coalitions” under the exclusion of non-members (or their minimal participation), with exclusive bodies such as the Eurogroup enabling this process.

However, the ability to exploit eurozone’s political weight depends on the bloc’s cohesion. If eurozone members are unable to agree on common positions and frequently oppose each other, their ability to exploit the advantage should be limited.

This chapter will show that eurozone member states are strongly divided in the Council. Rather than forming a cohesive bloc, they split into competing sub-groups, in line with cleavages identified in extant literature, such as a cleavage between Northern versus Southern or Eastern versus Western EU member states.

The chapter proceeds in three steps. It begins with a brief review of extant literature on the formation of coalition patterns in the Council. Then, coalition patterns corresponding to the four hypotheses of the previous chapter will be presented. A summary will conclude.

4.1. Extant literature

Previous research identifies coalition patterns in the Council based on three groups of cleavages. The first group concerns *ideology*. Here, cleavages structuring the conflict include a left vs. right orientation of governments (Mattila 2004, 2009, Hagemann and Hoyland 2008, Hosli et al. 2011), a

preference for integration vs. independence (Tsebelis and Garrett 2000) and for regulatory vs. market-based policies (Arregui et al. 2004).

A second group focuses on *interests* of member states. Research identifies coalition patterns among net beneficiaries vs. net contributors of the EU budget (Zimmer et al. 2005, Bailer 2011, Bailer et al. 2015) and ‘new’ vs. ‘old’ EU member states (Mattila 2009, Thomson 2009, Naurin 2008).

Finally, a third group of coalitions involves *geographical proximity*, which, however, might stand for other factors such as economic interdependence within regions (Arregui and Thomson 2014). Specifically, scholars identified a Northern vs. Southern dimension (Elgström 2001, Mattila and Lane 2001, Kaeding and Selck 2005, Zimmer et al. 2005, Naurin and Lindahl 2008, Thomson 2009) and an Eastern vs. Western cluster, which overlaps with ‘new’ vs. ‘old’ members (Mattila 2009, Veen 2011, Thomson 2009).

On a more general note, it should be added that some scholars question the very existence of coalition patterns in the Council. For instance, Neill Nugent argues that “cohesive and fixed alliances between particular governments do not exist. Rather, governments tend to come together in different combinations on different issues” (Nugent 1999: 474). This view is shared by some scholars (Hayes-Renshaw and Wallace 2006, Arregui et al. 2004) while rejected by others who find coalition patterns with varying degrees of stability (Zimmer et al. 2005, Naurin and Lindahl 2008, Thomson 2011).

A possible reason for this disagreement are different expectations about the stability of patterns. Authors identifying coalition patterns have found them in a quarter to a third of the studied cases (Thomson 2011: 76) up to slightly below half (Naurin and Lindahl 2008). If one expects a higher threshold, one might dismiss that patterns exist.

David Spence, a practitioner with experience in the Council, reconciles these two positions by claiming that there is both structure *and* chaos in the Council:

Alliances of member states turn around several key long-term interest groupings (...). On the other hand, however, these long-term 'objective' alliances are of a different order from tactical coalitions (...). Thus, one-off coalitions make alliances shift from issue to issue since there is always a readiness at two levels to put one or other policy or alliance on hold – either for a short-term gain in a key policy area or as part of a higher-order set of trade-offs including (...) log-rolling and side-payments” (2004: 266).

Fiona Hayes-Renshaw et al. reach a similar conclusion based on voting data, where they identify, on one hand, systematic patterns of joint position-taking, but at the same time underscore significant variability of national positions: “Many negative votes seem to be country-specific, relating to a particular situation with regard to a particular legislative proposal that would have a specific impact on a local economic sector or regulatory practice” (2006: 290).

Literature on cleavages between eurozone and non-eurozone member states has strongly focused on the euro crisis. For instance, Nicolai von Ondarza (2013) argues that the crisis revealed a dynamic of increasingly aligned policy preferences of eurozone members:

A second important factor that affects how differentiated integration shifts the political balance within the EU is the changed distribution of Member States' policy preferences. It is extremely unlikely that the interests of a group of Member States that is seeking to move forward on a policy issue coincide with the interests of the entire EU. Instead, countries that share a common interest, in at least one area, tend to work more closely together. (2013: 18).

One can infer from this quote that eurozone members, by virtue of “seeking to move forward on a policy issue”, share a “common interest” which does

not coincide with the interest of the non-members. The author does not define what the “common interest” of the eurozone is about. However, as a minimal definition, one can imagine that during the euro crisis it might have consisted of the joint will to prevent the break-up of the common currency.

Research by Craig and Markakis (2017) can be used to formulate a more far-reaching definition of eurozone’s common interest. The authors argue that “stronger economic growth (...) is considered crucial for maintaining stability in the euro area” (2017: 290). To promote economic growth, the eurozone engages in close policy coordination, which may result in “significant consequences, direct or indirect, for Member States outside the euro area” (2017: 301). Thus, the cleavage between eurozone ‘ins’ and ‘outs’ may result from the functional necessity to stabilize the euro area through reforms which do not necessarily coincide with interests of the ‘outs’.

Lehner and Wasserfallen (2019) qualify this image of eurozone’s unity by showing significant divisions regarding the shape of reforms enacted during the crisis. The authors study a dataset of 39 contested issues of eurozone reform negotiated between 2010-2015 and argue that conflict on their shape can be summarized in one dimension: preference for fiscal discipline vs. preference for fiscal transfer. Plotting member states on this dimension reveals three groups (Figure 12): supporters of fiscal transfers (Southern European countries and Belgium), advocates of fiscal discipline (Northern and Eastern European countries, led by Germany), and a smaller group of countries located in-between these opposing camps (Ireland, Cyprus, Luxembourg, Slovenia).

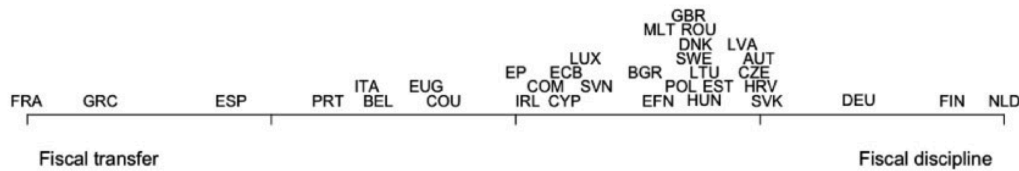


Figure 4. Ideal points of member states and EU institutions on the one-dimensional space estimated with Bayesian Ordinal IRT.
 AUT: Austria; BEL: Belgium; BGR Bulgaria; CYP: Cyprus; CZE: Czech Republic; DEU: Germany; DNK: Denmark; ESP: Spain; EST: Estonia; FIN: Finland; FRA: France; GBR: United Kingdom; GRC: Greece; HRV: Croatia; HUN: Hungary; IRL: Ireland; ITA: Italy; LTU: Lithuania; LUX: Luxembourg; LVA: Latvia; MLT: Malta; NLD: Netherlands; POL: Poland; PRT: Portugal; ROU: Romania; SVK: Slovakia; SVN: Slovenia; and SWE: Sweden; COM: European Commission; COU: European Council; ECB: European Central Bank; EFN: Economic and Financial Affairs Council; EP: European Parliament; and EUG: Euro Group.

Figure 12. Conflict structure on eurozone reforms.
 Source: Lehner and Wasserfallen (2019)

In a similar vein, Tokarski and Funk (2019) argue that the eurozone is divided in two groups. The first group prefers flexible budgetary policy, more risk sharing, and more fiscal transfers in the euro area (Southern eurozone members including France, Italy, Greece, Spain, Portugal, Cyprus, Malta). Meanwhile, a second group stresses individual responsibility for economic policies and compliance with fiscal rules (Germany, Netherlands, Finland, Austria, Slovakia, Baltic states) (2019: 4).

The authors add that the eight *non-members* of the eurozone are divided as well. In terms of economic interests, highly innovative economies with high wages (such as Sweden and Denmark) have different preferences than low-wage developing economies of Eastern Europe. The ‘outs’ have also different monetary arrangements, they differ in terms of banking systems and in terms of their interest to join the eurozone (ibidem: 6).

To further complicate the picture, Tokarski and Funk use the example of the ‘New Hanseatic League’ as a case where some eurozone ‘outs’ (Denmark, Sweden, Slovakia and Czech Republic) cooperate with some eurozone ‘ins’ (Netherlands, Ireland, Estonia, Finland, Latvia and Lithuania). Participation in this format allows the ‘outs’ to exercise influence on the direction of eurozone reforms, such as the completion of the Banking Union, the future

of the European Stability Mechanism or the deepening of the Capital Markets Union (ibidem: 4).

The latter practice – cooperation transcending boundaries of ‘ins’ and ‘outs’ – is the subject of an earlier analysis by Miles and Doherty (2005). The authors focus on how the UK managed its non-membership in the eurozone. They argue that the British government strengthened bilateral relations with specific eurozone members to influence eurozone-related negotiations. For instance, a close bond with Spain was forged to impact the Lisbon Strategy, as well as with France and Germany regarding the Stability and Growth Pact. (2005: 99).

This vision of cooperation between ‘ins’ and ‘outs’ leads Miles (2005), in an analysis summarizing multiple articles on the topic, to question the existence of clear political cleavages:

The contributors do not view the euro-area as an entirely cohesive group of participating states with a unified view of how it should develop in the future. Equally, it is expected that exclusion from the single currency does not create a clearly delineated division of EU member states into permanent sub-groupings that can affect national perspectives on all areas of EU policy making. There is fluidity to such differentiation. There remains potential for euro-outsiders to develop strategies to enhance co-ordination with those inside the euro-area not just on monetary issues, but also elsewhere (2005: 7).

Data compiled by Naurin and Lindahl (2010) seems to support this claim. The authors built a dataset on member states’ ‘network capital’, defined as “the set of potential cooperation partners that an actor has access to for gaining and spreading information and building coalitions during the negotiation process” (2010: 489-490).

One wave of their survey, conducted in 2003, includes an item on the perceived effect of eurozone outsider status on cooperation patterns. As Figure 13 shows, an overwhelming majority of respondents indicated that

“the fact that the UK, Denmark and Sweden had not joined the Euro did not in any way affect the cooperation patterns within their field” (2010: 504).

However, it should be noted that seven out of ten interviewed members of the Economic Policy Committee claimed that eurozone membership *does* affect cooperation patterns, out of which five argued that this applies only to euro-related issues.

Table 1. Does Euro-outsider status affect cooperation patterns?

Answer	Economic Policy Committee	Other working groups	All
Yes, it matters	2	7	9
Yes, but only on Euro-related issues	5	3	8
Yes, but only on issues concerning economic policy	0	6	6
Yes, but only marginally	0	4	4
No, it makes no difference	3	99	102
<i>N</i>	10	119	129

Note: Data from 2003. The question read: ‘Some member states – Sweden, Denmark and the UK – do not participate in the third phase of the Economic and Monetary Union. Do you think this fact in any way affects the cooperation patterns within your policy field?’

Figure 13. Cooperation with euro-outsiders.
Source: Naurin and Lindahl 2010

In sum, extant research on eurozone-related coalition patterns in the Council points in two competing directions. On the one hand, a eurozone vs. non-eurozone cleavage might be grounded in overarching common interests of the eurozone, which do not coincide with interests of the remaining countries. On the other hand, this cleavage could be difficult to sustain due to divisions inside the eurozone, due to divisions among the non-eurozone countries, as well as due to cooperation between eurozone ‘ins’ and ‘outs’.

4.2. Data and method

The aim of the analysis is to show coalition patterns in data used for studying the four hypotheses outlined in Chapter 3.1. This will allow seeing *which* member states were part of winning coalitions in the Council.

The key question is if eurozone members managed to form a cohesive bloc, if they were rather split into different subgroups, or if they were completely atomized. To recall, the hypotheses are as follows:

H1: Eurozone member states are more likely to be included in winning coalitions in the Council³⁶.

For the broad Hypothesis 1, coalition behaviour across the whole dataset will be shown, split into phases before and after the 2004 enlargement (see Chapter 3.3.1. for a justification for splitting observations in this way).

H2: Eurozone member states are more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.³⁷

For H2, the analysis will focus on coalition patterns in the ECOFIN Council.

H3: Eurozone member states are more likely to be included in winning coalitions in the Council in more configurations than ECOFIN³⁸.

For H3, the focus will be on coalition patterns in the remaining Council configurations.

³⁶ Null hypothesis: H1₀: Eurozone member states are not more likely to be included in winning coalitions in the Council.

³⁷ Null hypothesis: H2₀: Eurozone member states are not more likely to be included in winning coalitions in the Council if the proposal was negotiated in the ECOFIN Council.

³⁸ Null hypothesis: H3₀: Eurozone member states are not more likely to be included in winning coalitions in the Council in more configurations than ECOFIN.

H4: Eurozone member states were more likely to be included in winning coalitions in the Council during the euro crisis³⁹.

For H4, coalition patterns before and during the euro crisis will be presented.

The empirical basis will be the dataset of 303 Council negotiations under co-decision from the years 1999-2016, as described in Chapter 2. Two techniques will be employed to gain insight into coalition patterns: multidimensional scaling and alignment counts.

Multidimensional scaling (MDS) is a method for visualizing the dimensionality of data. The researcher first generates a matrix of (dis)similarities between each pair of objects. In the present case this matrix includes a measure of how often each pair of member states was jointly in a winning coalition in the Council. In the second step of the MDS analysis, an algorithm reduces the complexity of the matrix into a number of dimensions specified by the researcher. To this end, the SMACOF algorithm (Scaling by MAjorizing a COnvex Function) from the XLSTAT software package is used, which minimizes the normalized stress between objects (Takane et al. 1977). A 'scree plot' helps the researcher decide how many dimensions to report in a graphical plot. The accuracy of the depiction of the true (dis)similarities increases with the number of dimensions, but so does the difficulty of interpreting the plot. For this reason, researchers look at goodness-of-fit measures of the analysis and plot those solution which maximizes interpretability while maintaining a good enough level of accuracy. In the following, two-dimensional MDS solutions above minimum levels of accepted goodness-of-fit standards will be reported: Kruskal's Stress-1 lower than 0.3 and R^2 higher than 0.6⁴⁰.

³⁹ Null hypothesis: H4₀: Eurozone member states were not more likely to be included in winning coalitions in the Council during the euro crisis.

⁴⁰ R-squared measures the squared correlation coefficient between the estimated distances and the observed distances between data points and is analogous to R-squared in linear regression. An R-squared of 0.6 is considered the minimum acceptable level (Hair et al. 1998). Kruskal's Stress-1 indicates agreement between the estimated distances and the input proximities, normalized on a scale from 0 to 1, where lower values indicate better fit. There is an ongoing debate on goodness-of-fit measures of MDS. For instance, critics (Mair et al. 2016) point out that the indicator is not robust vis-à-vis the size of samples and objects: it increases with additional cases and additional dimensions regardless of the quality of the (dis)similarities in the matrix. For this reason, rules of thumb for this measure should be applied with caution, especially with larger samples.

The outcome of this process is a 'map' which summarizes similarities between different member states' policy positions. Member states which cluster closer together find themselves more often together in winning coalitions, while those which are far apart do so less often.

MDS maps are informative as they allow spotting clusters of objects, in this case clusters of member states in the Council. However, they do not allow assessing for which proportion of cases in the sample the clusters are valid. Alignment counts make up for this limitation. This approach, which the author borrows from Dimiter Toshkov (2017), lists in how many cases a certain type of alignment was found. This allows to show how often eurozone members as a bloc were included in Council coalitions and to compare this alignment to other congruence structures, for instance to 'new' vs. 'old' member states or to geographical groupings.

4.3. Analysis

4.3.1. Coalition patterns of eurozone members: general picture

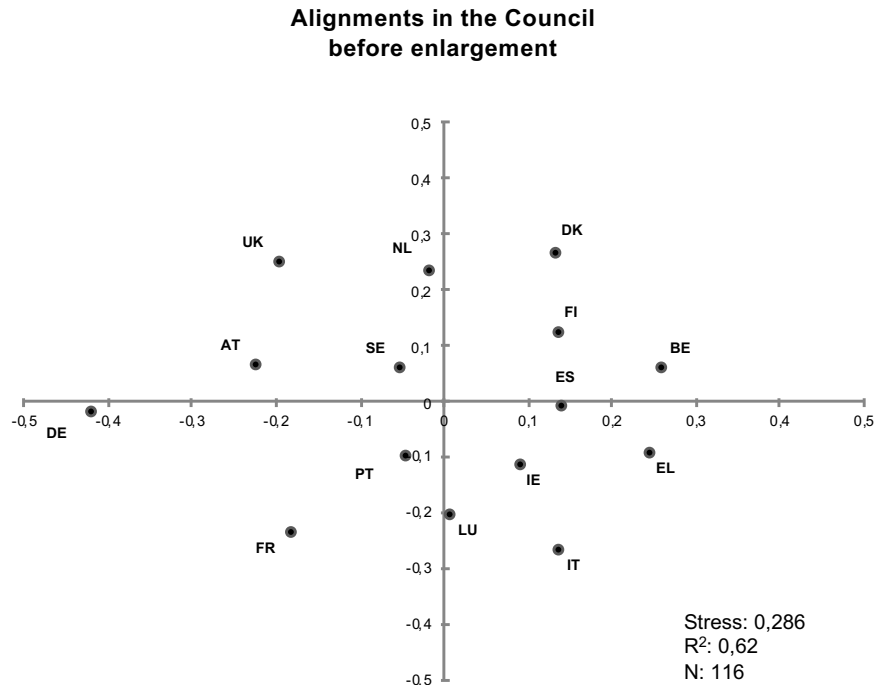


Figure 14. Alignments in the Council before enlargement

Figure 14 maps which member states were jointly in winning coalitions before the EU enlargement of 2004⁴¹. The closer the points are, the more frequent the respective member states were together in coalitions. The picture shows a North-South divide cutting across the eurozone: France, Italy, Greece and Portugal cluster below the horizontal axis, while the Netherlands, Finland, Belgium and Austria cluster above it. Germany holds an extremely distant position to eurozone members and non-members alike. Meanwhile, non-members of the eurozone (UK, Sweden, Denmark) are part of a grouping of Northern member states. In sum, there is no clear sign of a cohesive bloc of eurozone member states.

⁴¹ See Chapter 3.3.1. for a discussion on the rationale of splitting observations into a pre- and post-enlargement phase.

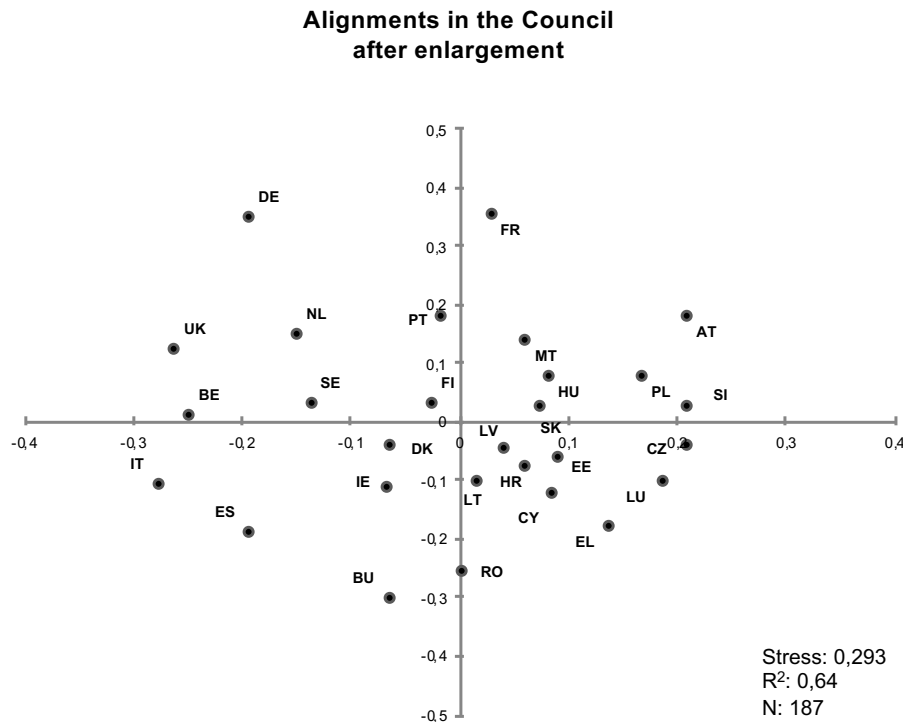


Figure 15. Alignments in the Council after enlargement

After enlargement (Figure 15), North-South divisions within the eurozone bloc do not disappear. For instance, the dyad Germany-Greece is among the least likely to be together in a coalition. However, the group of Southern eurozone countries is less cohesive, with the distance between France, on the one hand, and Spain plus Italy being among the most extreme. Meanwhile, Portugal is closer to Germany than other Southern eurozone members. Furthermore, there is a visible clustering of Eastern versus Western member states. Overall, the eurozone countries scatter across the map, and are divided both along the North-South and the East-West axis.

So far, coalition patterns were assessed without knowing *how often* they occur. To assess the prevalence of alignments, Table 10 lists for how many cases certain patterns were found in the studied cases. Specifically, the focus is on eurozone membership vs. non-membership, 'new' vs. 'old' member states as well as geographical patterns. Classification of countries

into geographical groups is based on categories defined in Eurovoc, EU's official thesaurus (Eurovoc 2017)⁴².

Table 10. Alignment counts before and after enlargement

Member state group	Pre-enlargement	Post-enlargement
Eurozone members	5 (4%)	11 (6%)
Non-eurozone members	41 (35%)	50 (27%)
“New“ members	-	56 (30%)
“Old“ members	-	7 (4%)
East	-	78 (42%)
West	4 (3%)	25 (13%)
North	54 (47%)	97 (52%)
South	45 (39%)	56 (30%)
Total number of cases	116	187

The strongest alignment was found for Northern member states (47% of cases before and 52% after enlargement) and Eastern members (42% after enlargement), followed by Southern-European countries (39% and 30%, respectively). Alignments among Western member states were relatively rare, with 3% and 13% of cases in the two periods, and the weakest pattern consisted of ‘old’ member states, which were jointly in coalitions in 4% of cases.

In contrast, as could be expected from the MDS graphs, a eurozone bloc was found in only a small minority of cases: 4% before enlargement and 6% post-enlargement. This suggests that such alignments are rare.

In sum, neither MDS analyses nor alignment counts show cohesive coalition patterns of eurozone member states in the Council. Multidimensional scaling of coalition behaviour shows large distances between individual

⁴² Eastern Europe: Bulgaria, Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia, Slovenia. Northern Europe: Denmark, Estonia, Finland, Latvia, Lithuania, Sweden. Southern Europe: Cyprus, Greece, Italy, Malta, Portugal, Spain. Western Europe: Austria, Belgium, France, Germany, Ireland, Luxembourg, Netherlands, United Kingdom.

eurozone members and no sign of a eurozone cluster. Instead, a North-South alignment can be identified before enlargement and an Eastern cluster of 'new' member states after enlargement.

The visual inspection of MDS graphs finds validation in alignment counts. Eurozone alignments were found for just 4-6% of cases, as compared to widespread joint position-taking by Northern (47-52%), Southern (30-39%) and Eastern (42%) member states. Overall, this disalignment of eurozone member states helps to explain null findings for Hypothesis 1.

4.3.2. Coalition patterns per configuration

After the previous subchapter examined a broad claim on coalition patterns involving eurozone member states, the present will look at patterns per policy area (Council configuration). The division into policy areas used in the analysis will follow the structure of the Council. The Council is composed of so-called 'configurations', each of which is responsible for a specific thematic area. Table 11 summarizes the current structure.

Table 11. Overview of Council configurations

Council configuration	Policy topics covered ⁴³
Foreign Affairs Council	Foreign policy, defence and security, trade, development cooperation, humanitarian aid
Education, Youth, Culture and Sport	Cooperation between member states on education, youth, culture and sport
Economic and Financial Affairs	Economic policy, taxation, regulation of financial services
Agriculture and Fisheries	Production of food, rural development, management of fisheries
Employment, Social Policy, Health and Consumer Affairs	Increase of employment levels, living and working conditions, human health, consumer protection
Environment	Environmental protection, prudent use of resources, protection of human health, climate change
Justice and Home Affairs	Judicial cooperation, migration, border management, police cooperation
Competitiveness	Internal market, industry, research and innovation, space policy
Transport, Telecommunications and Energy	Infrastructure, trans-European transport, communications, energy networks

⁴³ Source of this summary: Council of the European Union (2017).

Economic and Financial Affairs

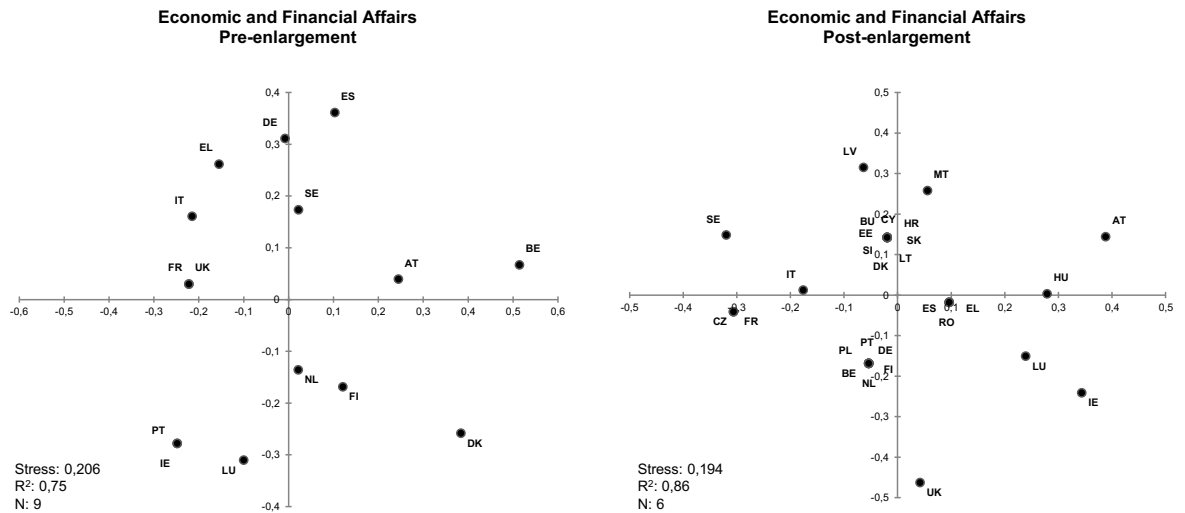


Figure 16. Economic and Financial Affairs

Arguments underpinning Hypothesis 2 suggest a clear affinity among eurozone member states in the ECOFIN Council. This is due to an overlap of both actors and topics between the Eurogroup and the ECOFIN (see Chapter 3.1. for details).

The MDS graph for the *pre-enlargement* phase shows that eurozone countries scatter across the graph instead of forming a joint cluster. In fact, Spain, Belgium and Luxembourg were each located at extreme ends of the dimensions. Among the non-members, Denmark occupies an outsider position in the South-East part of the graph, while the UK shares a joint position with France. This image goes against joint position-taking in the eurozone bloc, but also against other popularly assumed similarities of member state positions in the area of economic and financial policy. For instance, Southern European members such as Spain or Greece were very unlikely to have joint positions with Portugal. Similarly, among Northern European countries there was a large distance between Germany versus Netherlands and Finland. In sum, there was much disagreement instead of joint alignment among eurozone member states.

The *post-enlargement* period displays more convergence among eurozone members. Germany took joint positions with Finland, Netherlands and Belgium, while Spain shared positions with Greece, but the Northern and Southern European groupings were located relatively close to each other. Nevertheless, some splits inside the eurozone remained. Germany and France were part of different blocs of members states. Austria, Ireland, Luxembourg and France were located on extreme positions. Among non-eurozone countries there was a noticeable affiliation between the 'new' Eastern European member states and Denmark, but also extreme positions of the United Kingdom and Sweden.

In sum, the analysis shows a differentiated picture of eurozone alignments in the ECOFIN. While there was almost no visible alignment in the pre-enlargement phase, positions of eurozone countries converged more strongly after enlargement. Nevertheless, even then important splits remained, including between the main large member states, Germany and France. The Franco-German split should be strongly emphasized, since these are two eurozone member states with significant voting power under rules of both the Nice and Lisbon treaties. When France and Germany oppose each other, it is rather hard to build winning coalitions. The overall picture helps to explain why the regression analysis in Chapter 3.3.2. failed to reject the null hypothesis H_{2_0} .

The remaining MDS graphs will correspond to H_3 . They will examine coalition patterns in other Council configurations than ECOFIN.

Competitiveness

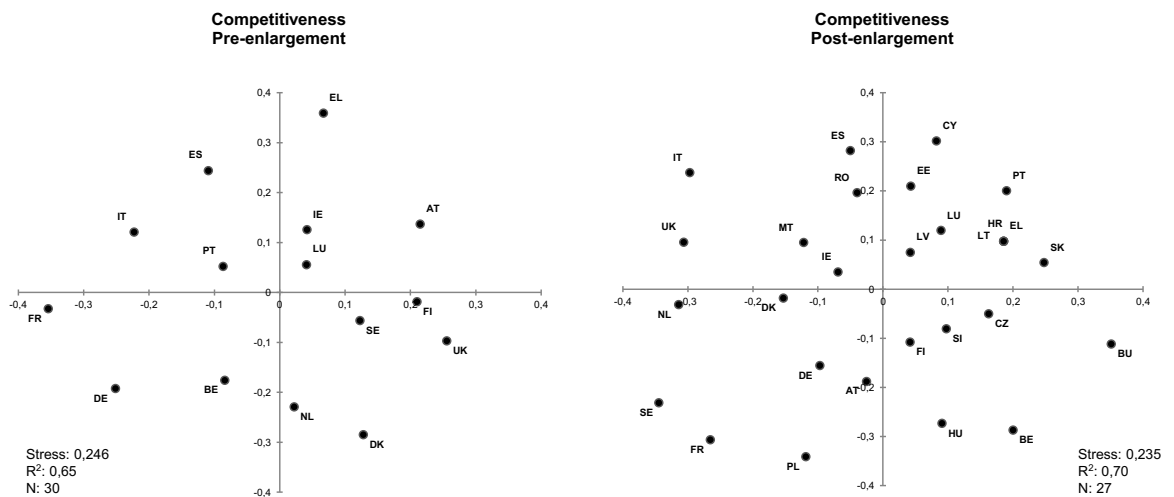


Figure 17. Competitiveness

The Competitiveness Council (COMPET) deals with legislation on the internal market, industry, research and innovation and space policy. Among others, competitiveness strategies of the Union including the Lisbon strategy were negotiated and translated into legislation in this configuration. Rebecca Adler-Nissen (2014: 96) mentions the Lisbon strategy as a case where the Eurogroup pre-decided policy solutions for all member states. Thus, COMPET is a configuration in which alignments of eurozone members' positions could be expected in line with H3.

Looking at *pre-enlargement* cases, not much alignment among eurozone members can be found, as they spread across the graph. The only apparent structure can be found for Southern European euro countries, which occupy the area in or next to the upper-left part of the graph, while other members scatter across remaining areas. Non-eurozone countries (UK, Denmark, Sweden) stay relatively close together in the lower-right part of the graph.

Also *after enlargement* no cohesive eurozone pattern can be identified. Instead, a North-South cleavage can be observed, with Southern eurozone members located in the upper part, and Northern in the lower part of the graph. Non-eurozone members join these main clusters in different ways: while most Eastern European members plus the UK joined the 'Southern'

cluster, Sweden and single Eastern European countries (Poland, Hungary, Bulgaria, Czech Republic) were part of the ‘Northern’ cluster. Thus, while a North-South cleavage can be inferred, neither a ‘new’ versus ‘old’ nor eurozone versus non-eurozone split can be identified.

Employment, Social Policy, Health and Consumer Affairs

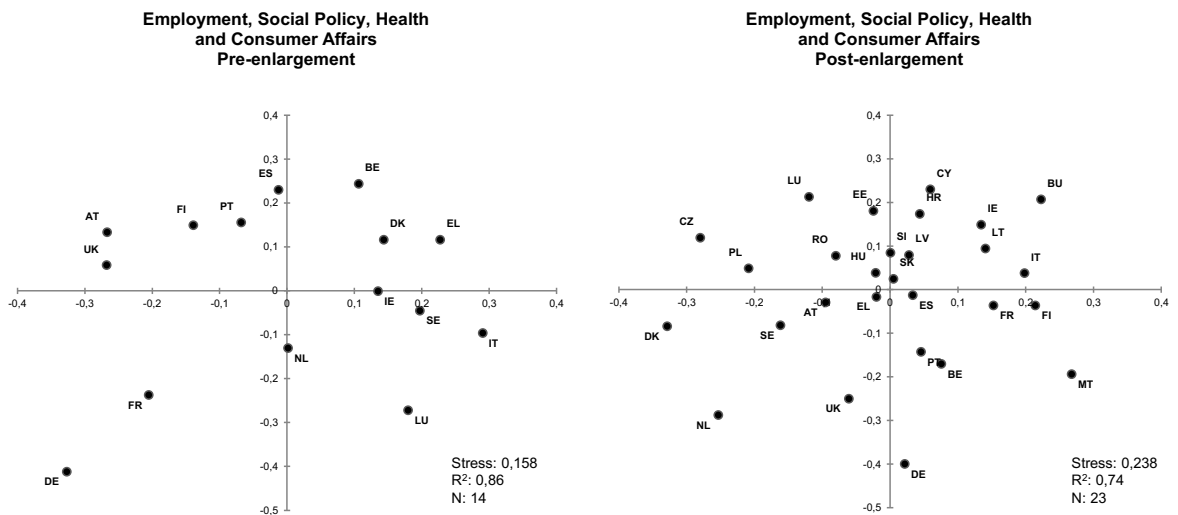


Figure 18. Employment, Social Policy, Health and Consumer Affairs

As the name suggests, this configuration (labelled EPSCO) covers employment, social, health and consumer protection policy. It is more difficult to construct a theoretical link between eurozone membership and position-taking in EPSCO, since there is neither an overlap of actors nor a clear overlap of policy topics. However, if it is true that competitiveness strategies of the Union such as the Lisbon strategy were ‘pre-cooked’ by the Eurogroup, as Adler-Nissen (2014: 96) argues, and if one takes into account that improving employment levels was an important element of these strategies, then at least some alignment of eurozone members in this Council configuration could be expected.

Pre-enlargement cases reveal polarization between Germany (joined by France, but with a less extreme position) and the remaining member states, which scatter across the graph without a clear structure. However, there

seems to be no sign of a eurozone cluster. There is also not much alignment among the non-euro countries.

Also in the *post-enlargement* phase Germany, together with the Netherlands, occupies a position distant from other eurozone countries. Instead of a clear eurozone alignment, concentric circles can be observed: a group of mostly Southern European eurozone members took common positions in the centre of the graph, and a group of mostly non-Southern members spread in different directions away from the centre. Also non-eurozone members seemed to have split – while some ‘new’ members joined the inner circle, Denmark, Czech Republic, and Bulgaria were located far from the centre. In sum, no findings of eurozone alignments in the EPSCO configuration can be reported.

Transport, Telecommunications and Energy

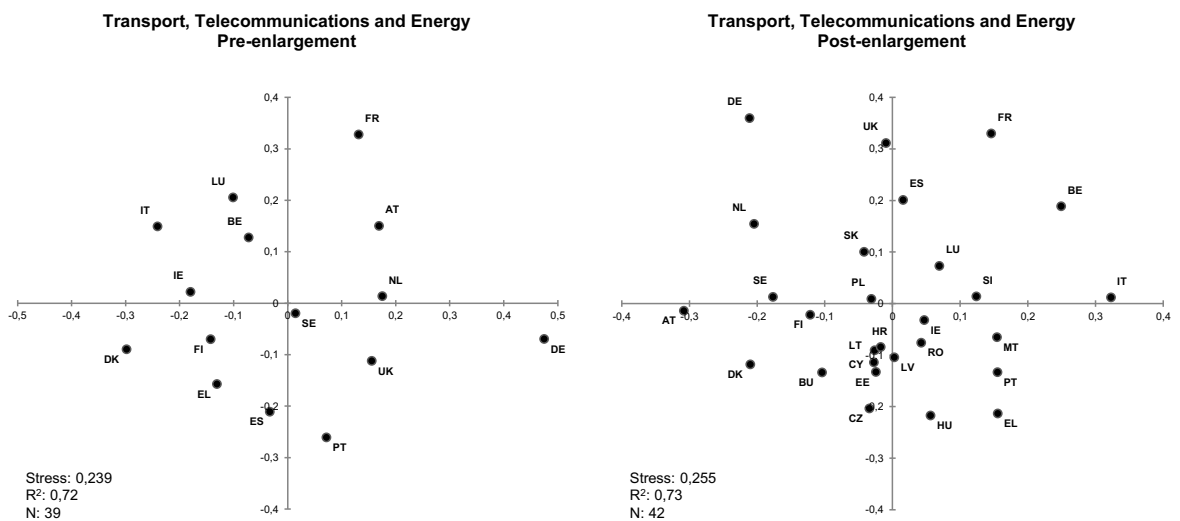


Figure 19. Transport, Telecommunications and Energy

Also this configuration deals with topics far from the main business of the eurozone. Infrastructure, trans-European transport, communications and energy networks might not be priority areas of the common currency area, but in line with theoretical assumptions of H3, at least some eurozone alignment could be assumed.

A look at eurozone members in the *pre-enlargement* graph reveals, as in EPSCO, a split between Germany and the remaining members. Apart from this observation, positions of eurozone countries scatter without discernible patterns – and the same applies to non-eurozone member states. The distribution does not reveal substantial alignments of the eurozone.

The *accession of new member states* changed the picture. Now a grouping of mostly ‘new’ member states can be discerned in the centre of the two dimensions, surrounded by circles of both eurozone and non-eurozone members. The image suggests a large heterogeneity of positions within the eurozone instead of common alignments.

Agriculture and Fisheries

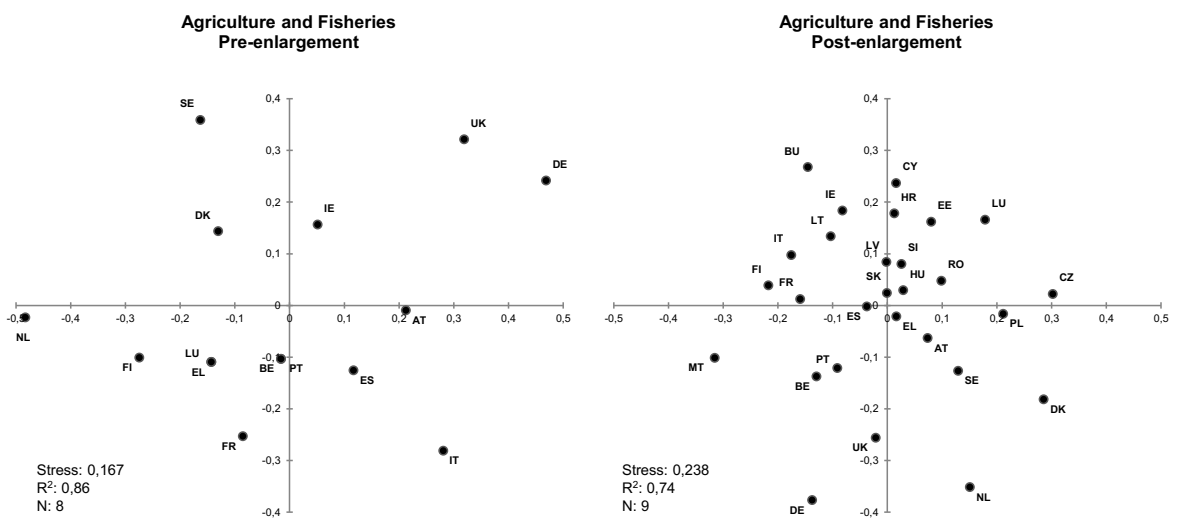


Figure 20. Agriculture and Fisheries

In the Agriculture and Fisheries (AGRIFISH) configuration there is a strong polarization in the *pre-enlargement* period. Germany and the UK took positions similar to each other but distant to the remaining member states. Moreover, in the lower part of the graph a group of mostly Southern European member states plus France can identify, with reservations. However, no eurozone cleavage is in sight.

In the *post-enlargement* period, the far-off position of Germany (and UK) is still visible, but simultaneously a cluster of mostly 'new', Eastern European member states can be identified in the central and upper part of the graph. Since positions of eurozone countries are distributed across the picture, no alignment can be spotted.

Environment

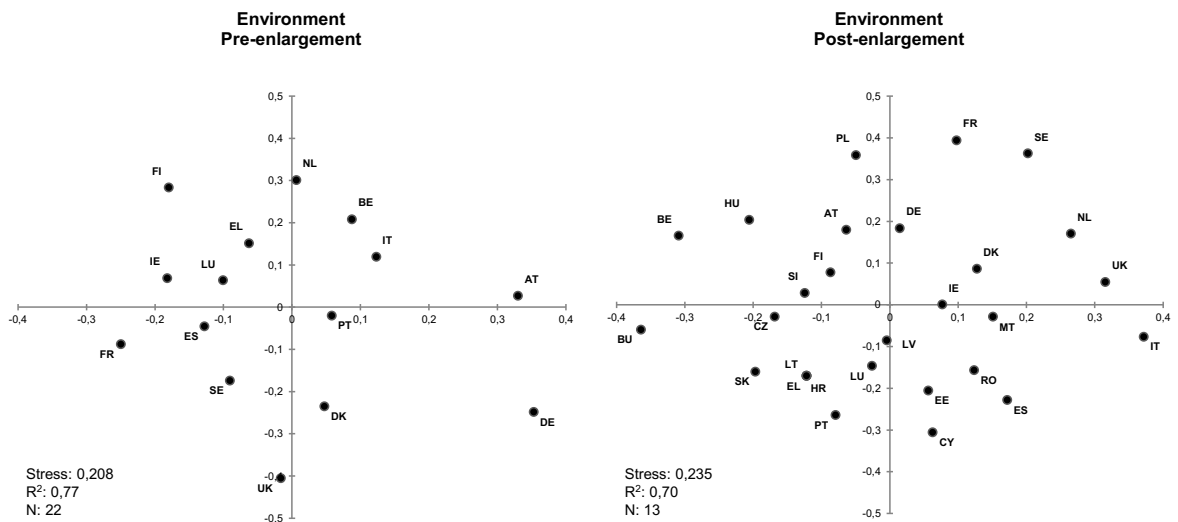


Figure 21. Environment

In the Environment Council (ENVI), the configuration responsible for, inter alia, environmental protection, prudent use of resources, protection of human health and climate change, there is more chaos than structure.

In the *pre-enlargement* phase, Germany and Austria were located far away from the remaining eurozone members, which populate the graph without discernible alignment. The *post-enlargement* image is similar, with eurozone countries occupying points at opposing ends of the dimensions. Apart from the non-existent eurozone cleavage, there is also no sign of North versus South nor 'new' versus 'old' cleavages.

Education, Youth, Culture and Sport

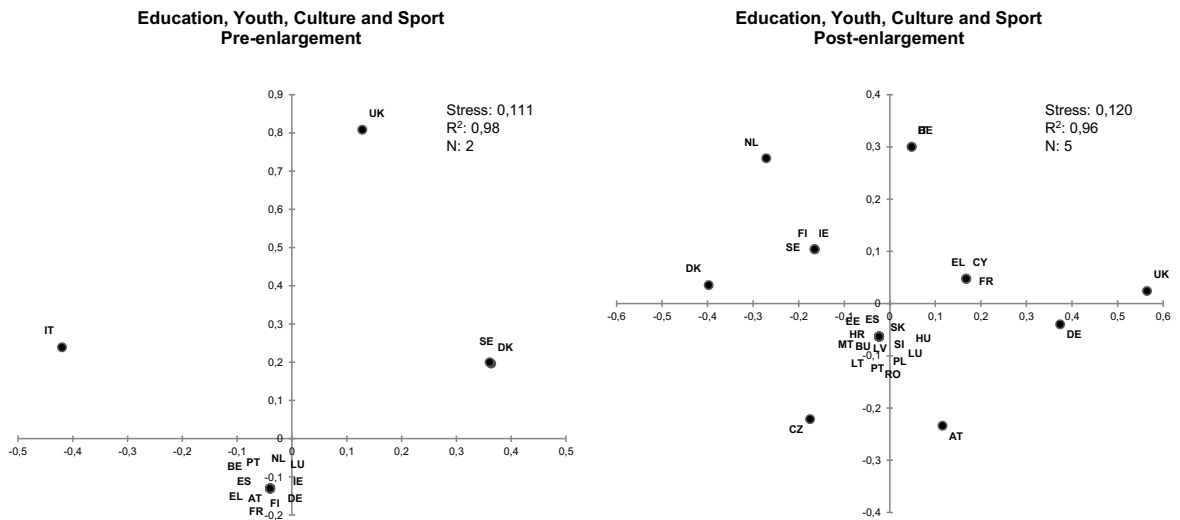


Figure 22. Education, Youth, Culture and Sport

Graphs for the Education, Youth, Culture and Sport configuration are based on a low number of proposals (two and five) and show intensive clustering. This could be explained with the fact that the EU had limited competence in this policy area, and therefore there were fewer negotiated proposals, while those negotiated were less controversial, as indicated by many countries taking similar positions.

Interestingly, the pre-enlargement cases show eurozone countries clustering together (with the exception of Italy), while three non-eurozone members (UK, Sweden, Denmark) take positions far from this cluster. While this looks like the hypothesized eurozone cluster, the result might be more due to a low controversiality of the proposals rather than eurozone-related mechanisms.

Moving to cases after enlargement, no discernible alignments of eurozone countries can be seen. While some members concentrate around a point in the middle of the graph, others are positioned on extreme ends.

Justice and Home Affairs

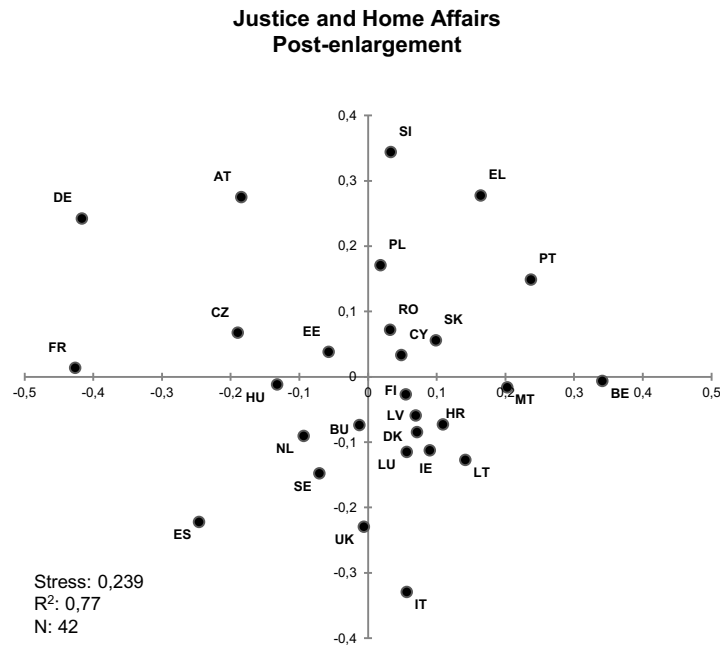


Figure 23. Justice and Home Affairs

The Justice and Home Affairs (JHA) configuration deals with a broad range of issues including judicial cooperation, migration, border management and police cooperation. Since co-decision was introduced in this area at a late period (by the Treaty of Nice and then strongly extended by the Lisbon Treaty⁴⁴), only the post-enlargement period can be analysed.

The conflict structure looks irregular, with multiple countries far from the centre of the distribution (Germany, France, Spain, Italy, Portugal, Greece, Slovenia and Austria) and others closer to the centre, yet with no clear structure of alignment. Since eurozone members are strongly spread across the dimensions, cohesive coalition patterns of the common currency members cannot be identified.

⁴⁴ See Appendix B for a detailed list of co-decision extensions over the timeframe of the dataset.

Foreign Affairs Council

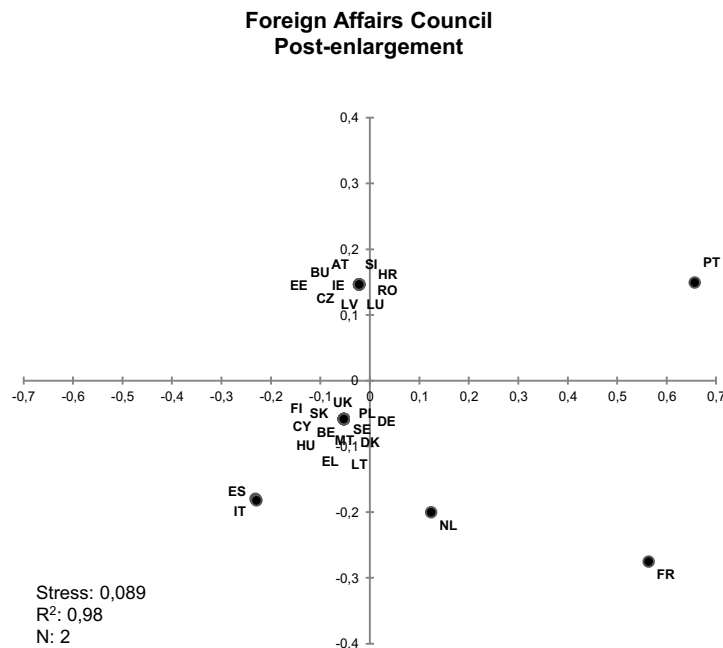


Figure 24. Foreign Affairs

Finally, the Foreign Affairs Council (FAC) deals with foreign policy, defence and security, trade, development cooperation and humanitarian aid. Since foreign affairs remain predominantly a national competence, and the FAC typically decides using other procedures than co-decision, only a small sample of five post-enlargement cases is available for analysis.

Member states cluster in one of two groupings. The first includes Austria, Ireland, Luxembourg and a group of 'new' member states. The second encompasses, among others, Germany, UK, Denmark, Sweden, Poland, Finland, Greece, Belgium as well as some other 'new' members. Additionally, members such as France, Portugal, Netherlands, Spain and Italy occupy positions away from these groupings. From this picture it can be concluded that negotiations in the FAC, under co-decision, show no discernible eurozone cleavages.

Coalition patterns per configurations: brief summary

In sum, this subchapter has failed to detect a 'eurozone versus non-eurozone' cleavage when looking at specific Council configurations.

As regards ECOFIN, no eurozone alignment was found for the pre-enlargement cases in the dataset. Post-enlargement, the picture was slightly more differentiated. However, the analysis revealed a lack of alignment between Germany and France, two eurozone members which are pivotal for the eurozone to exploit its voting power in the Council. Similar findings can be reported for the remaining Council configurations. While some configurations show traces of a North-South cleavage (e.g. COMPET, AGRIFISH before enlargement), a split between 'new' and 'old' member states (AGRIFISH) or particularly distant positions of large member states (EPSCO, TTE), the general picture of coalition patterns is: much chaos, limited structure and no clear eurozone versus non-eurozone alignments.

Overall, these findings point to strong internal divisions inside the eurozone bloc, both within ECOFIN (on which H2 focuses) and other configurations (focus of H3). These divisions might have prohibited the exploitation of the eurozone's combined political weight in the Council.

4.3.3. Coalition patterns during the crisis

Finally, coalition patterns are analysed depending on the timing of negotiations. As Chapter 3.1. outlines, there are reasons to expect that eurozone member states exploited their political weight particularly strongly during the euro crisis. As a result, H4 expects that *Eurozone member states were more likely to be included in winning coalitions in the Council during the euro crisis*. The key question for the now-presented analysis is if the eurozone bloc was able to stand united during the crisis.

The dataset is divided in two parts: 71 files negotiated between 2004-2009 and 116 in the period 2010-2016. The cut-off point signifying the euro crisis

is January 1st 2010, as used and justified in Chapter 3.3.3. Figure 25 presents results of multi-dimensional scaling (MDS).

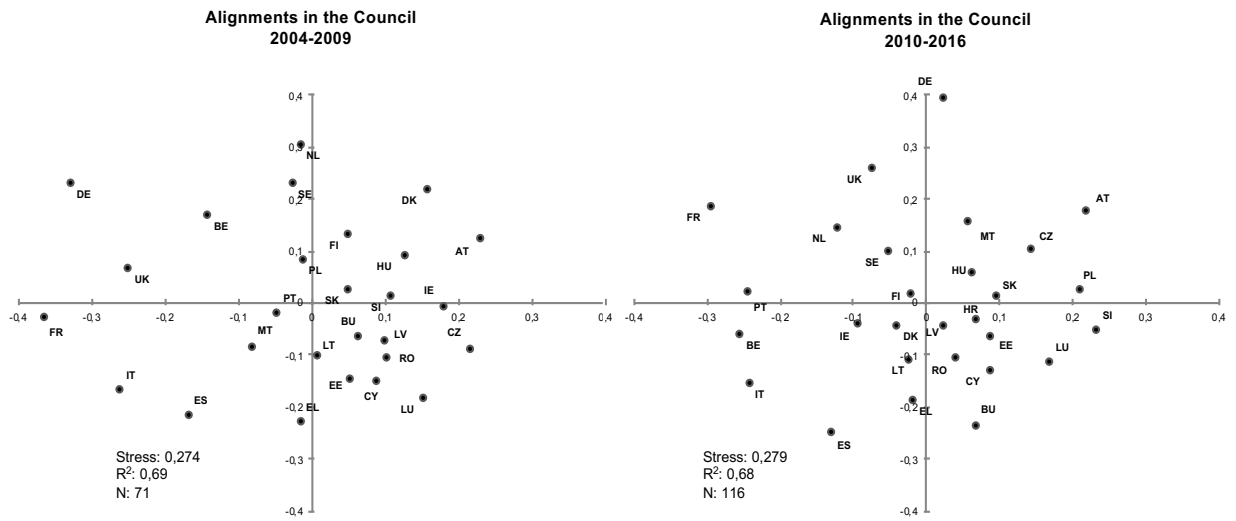


Figure 25. Alignments before and during the euro crisis

As concerns the eurozone bloc, the most visible change between the two periods (Figure 22) is an increased split between *Northern and Southern* member states. The distance between Germany on the one hand, and Italy, Spain and Greece on the other hand, was significant already before the crisis, but during the crisis Germany and those three Southern member states constituted extreme points on the map of coalition patterns. Secondly, also the distance between *Germany and France* has increased during the crisis. In sum, the picture shows the opposite of a more cohesive coalition pattern among eurozone countries: conflict seems to have increased, not cohesion.

As far as non-members of the eurozone are concerned, there was visible clustering among *Western versus Eastern* member states. However, both graphs show that the group of Eastern members is internally differentiated: South-Eastern countries (e.g. Bulgaria, Romania) cluster more with South-Western member states, while North-Eastern members (e.g. Czechia, Hungary) more with North-Western countries. A further observation is UK's intriguing role as Germany's most frequent coalition partner both before and

during the crisis. In fact, according to the map, the UK became Germany's most frequent coalition partner in the crisis period.

Another way of examining member state alignments consists of counting how often certain groups of countries were part of the same Council coalition. Table 12 conducts this exercise for the pre-crisis and crisis periods, respectively.

Table 12. Alignments counts before and during the euro crisis

Member state group	Pre-crisis period	Crisis period	Change (p.p.)
Eurozone members	4 (6%)	5 (4%)	-2
Non-eurozone members	16 (23%)	32 (28%)	+5
“New”	27 (38%)	34 (29%)	-9
“Old”	3 (4%)	4 (3%)	-1
East	36 (51%)	42 (36%)	-15
West	9 (13%)	14 (12%)	-1
North	30 (42%)	67 (58%)	+16
South	22 (31%)	34 (29%)	-2
Total number of cases	71	116	

The table shows two large-scale alignment changes in the crisis period: a marked increase of joint position-taking by Northern member states (+16 percentage points) and a large decrease thereof by Eastern members (-14 p.p.). However, as regards the eurozone, the table shows that common position-taking among eurozone members has not only slightly *decreased* (by two percentage points), but also that this is a very rare alignment, accounting for 6% of cases before the crisis and 4% during it.

In sum, the analysis of coalition patterns puts into question a crisis-induced closeness between eurozone members. If anything, conflict among eurozone countries seems to have *increased*, in particular along the North-

South axis, and there were even fewer coalitions involving all eurozone members. This sheds light on the null findings for H4.

4.4. Chapter summary

This chapter examined patterns of coalition-formation formation in the Council, on the basis of 303 negotiations under co-decision in the years 1999-2016. Its goal was to examine to what extent eurozone member states formed a cohesive political bloc, which is a prerequisite for exploiting their superior voting power in the Council.

The analysis has shown coalition patterns corresponding to each of the four hypotheses outlined in Chapter 3. When looking at coalition patterns across the dataset (corresponding to Hypothesis 1), there was a North-South division among eurozone member states before enlargement. After enlargement, an East-West cleavage was added on top of a more differentiated North-South cleavage (Southern eurozone countries were more split than before). Instances where the whole bloc of eurozone members found itself in a coalition were very rare, on merely 4-6% of cases.

As regards coalition patterns in the ECOFIN Council (corresponding to H2), there was no clustering of eurozone countries in the pre-enlargement period. Post-enlargement, blocks of Northern and Southern eurozone members were relatively close to each other, but important splits inside the eurozone remained, notably between Germany and France. Moreover, Austria, Ireland, Luxembourg and France were located on extreme positions of the entire map of coalition patterns. On balance, no clear cohesiveness of eurozone members in the ECOFIN was detected.

Similarly, cohesive eurozone coalitions were not detected in other Council configurations (H3). While some configurations show traces of a North-South cleavage (e.g. COMPET, AGRIFISH before enlargement), a split between 'new' and 'old' member states (AGRIFISH) or particularly distant positions of large member states (EPSCO, TTE), the general picture of

coalition patterns was: much chaos, limited structure and no clear eurozone versus non-eurozone alignments.

Finally, the comparison of coalition patterns before and during the euro crisis (corresponding to H4) shows that the eurozone became *more*, not less, divided. During the crisis period (2010-2016), divisions inside the bloc ran along the North-South and East-West axes, as well as between the two largest eurozone members France and Germany. Furthermore, the proportion of cases where eurozone members were jointly in a coalition dropped from 6% before the crisis to 4% during it. Thus, cohesiveness of the eurozone during the crisis does not show in the data.

These results suggest that even if eurozone members wanted to outvote or otherwise dominate non-members in legislative negotiations in the Council, they were arguably too divided to make this happen. According to the analysis presented in this chapter, the conflict structure in the Council was dominated by a North vs. South and East vs. West cleavage. It seems that eurozone members have built coalitions in the first place with their geographically proximate neighbours (whereby geography might as well stand for common interests driven by other reasons). This might have torn apart the unity of the eurozone and prevented the emergence of a eurozone vs non-eurozone cleavage.

5. Conclusion

5.1. Main results

The spark which inspired this thesis was the following statement by Poland's former foreign minister, Radek Sikorski:

*As Minister of Foreign Affairs I would like to share with you my political judgment on the question if joining the eurozone will make our country's position stronger or weaker. I think that this is a situation captured well by the following American proverb: **'if you are not at the table, you are on the menu'** (Sikorski 2011, author's translation and highlight).*

The present thesis studies this claim – that eurozone members are more powerful in 'Brussels' – with focus on the Council of the European Union, the Union's major forum for intergovernmental negotiations.

The claim that eurozone members are more powerful is intuitive. In the end, the eurozone is made up of the majority of EU member states, including the two largest states, Germany and France. This gives its members significant voting power, up to the ability to outvote non-members.

The thesis makes a two-fold theoretical argument. First, eurozone members have an *incentive* to build "minimum winning coalitions" under exclusion of non-members, as this increases their gains in Council negotiations. Secondly, it is argued that this process is *enabled* by the institutional setup of exclusive eurozone-only bodies, most importantly the Eurogroup.

Four hypotheses are proposed on this basis. As a starting point, eurozone members should have a higher probability of being included in a winning coalition in the Council (H1). This general hypothesis is then refined by looking into specific policy areas (Council configurations). It is hypothesized that the magnitude of eurozone members' inclusion in winning coalitions should be particularly strong in the Economic and Financial Affairs (ECOFIN) Council (H2). However, a more wide-reaching claim posits that

the agenda of exclusive eurozone bodies expanded so strongly that there should be an effect in other Council configurations as well (H3). Finally, the euro crisis should matter: during the crisis, eurozone members arguably dominated the decision-making process of the entire Council. As a result, their inclusion in winning coalitions should have increased during the crisis (H4).

These four hypotheses were tested on an original dataset of 303 Council negotiations under co-decision from the timeframe 1999-2016. The dataset is based on computer-assisted coding of 37.718 official Council documents. It identifies which member states were successful in entering winning coalitions brokered by the Council presidency in the intra-institutional phase of negotiations, i.e. before any involvement of the European Parliament. This identification is based on so-called *reservations* – the standardized form in which member states signal serious discontent with (parts of) a legislative proposal.

On the basis of this dataset, logistic regressions were calculated, with inclusion in the winning coalition as the dependent variable. The models controlled for key factors identified in the literature as affecting negotiation performance in the Council: holding the Council presidency, country size, net contributor vs. beneficiary status and ideological congruence of a member state government with the government holding the presidency and the average ideological position in the Council.

The analysis yielded a string of null findings:

- After controlling for known factors affecting negotiation performance in the Council, eurozone members were *not* more likely to be included in winning coalitions (H1).
- This applied equally to proposals negotiated in the ECOFIN Council (H2) and to the remaining Council configurations (H3).
- Finally, eurozone members' probability of inclusion did *not* increase during the euro crisis (H4).

The thesis provides a likely explanation for these null findings by analysing coalition patterns corresponding to the four hypotheses. This analysis shows that eurozone members were, most likely, too divided to exercise their collective influence in the Council:

- A look at coalition patterns across the dataset (corresponding to H1), using multi-dimensional scaling, reveals a North-South division among eurozone member states before enlargement, to which an East-West cleavage was added post-enlargement. The whole eurozone bloc found itself in merely 4-6% of winning coalitions.
- The picture did not change much when individual Council configurations are analysed: a cohesive coalition pattern of eurozone members was found neither in the ECOFIN (H2) nor in the remaining Council configurations (H3). Finally, the picture did not change during the euro crisis (H4). In fact, divisions inside the eurozone *deepened* in the crisis period, and the full set of eurozone members was present only in a tiny minority (4-6%) of winning coalitions.

Arguably, traditional cleavages among EU member states, such as the North-South and the East-West cleavage, have cut across eurozone members and prevented the formation of a cohesive political bloc in the Council.

The results of the thesis beg the question why senior EU decision-makers (including the above-quoted Radek Sikorski) nevertheless claim that eurozone members are more influential in European politics. Two explanations come to mind. First, decision-makers making such claims might base them on a number of individual, salient cases of legislation where eurozone membership might have mattered, rather than making a systematic claim. Secondly, they might simply use the argument because it sounds convincing, without checking to what extent it is true, in order to promote the membership of their member states in the eurozone.

5.2. Contributions to literature

The outcomes of the thesis speak to three bodies of research on the European Union: on differentiated integration, sources of negotiation performance in the Council, and conflict structures among member states. Furthermore, they feed into literature on issue-linkage in international regimes.

First, EU scholars disagree about consequences of differentiated integration (DI), of which the eurozone is a prime example⁴⁵. Some authors praise differentiation as a valuable mechanism for boosting EU's effectiveness and democratic legitimacy in the context of the growing number and heterogeneity of member states (Dyson and Marcussen 2010; Majone 2010; Scharpf 2006).

Other scholars point to adverse consequences of differentiation. They criticise that DI undermines the integrity of the European legal order⁴⁶, solidarity between member states⁴⁷ and thus warn about dangerous political effects. One of those effects concerns DI's impact on negotiation performance of member states. Differentiation would be dangerous for the legitimacy of the Union if it skewed the success rates of member states. According to Fiona Haynes-Renshaw and Hellen Wallace,

EU governance depends on legitimation through the Member States and their obedience to Community law. There is a real issue of how to legitimate individual decisions for a state whose government voted against them, perhaps to signal in advance the improbability of its compliance. The more frequently a member government is outvoted and visibly unhappy about it,

⁴⁵ Differentiated integration is commonly defined as "a model of integration strategies that try to reconcile heterogeneity within the European Union and allow different groupings of Member States to pursue an array of public policies with different procedural and institutional arrangements" (Stubb 1996: 283).

⁴⁶ Critics point out that differentiation violates the legal order of the EU, by preventing uniform application of European law (De Burca and Scott 2000, Curtin 1993), contradicting the goal of an 'ever closer union' and posing a challenge to EU's claims to supreme authority within a limited sphere (Walker and Wiener 1999).

⁴⁷ For instance, Joseph Weiler argues that the principle of majority voting must be closely linked with the principle of solidarity. Member states which do not have a majority for a policy should restrain themselves in the name of solidarity with other states. Differentiation removes the need for such restraint. Therefore, according to Weiler, "a 'flexible' Europe presents an abandonment of the principle of solidarity, one of the most fundamental ideals which counterbalances and justifies majority voting" (1999: 3).

the larger the problem becomes, certainly for the Member State concerned and arguably for the system as a whole (2006: 291).

Extant literature does not clearly answer the question if the eurozone, as the most ambitious DI project to date, causes adverse consequences by creating a group of permanent 'winners' in the Council. As outlined in detail in Chapter 3, one group of researchers points to a certain exclusionary dynamic of the eurozone. Rebecca Adler-Nissen (2014) portrays a 'stigmatization' of non-members in the Council. Uwe Puetter (2006) argues that there is a possibility that eurozone members pre-agree decisions in the Eurogroup. And Nicolai von Ondarza (2013) claims that during the euro crisis bodies like the Eurogroup became *de facto* 'engine rooms' of European integration, in which important decisions were made and then presented to non-members as done deals. Other analyses question that such dynamic exists: Bailer et al.'s (2019) study of eurozone reform negotiations shows that eurozone members did not have higher levels of bargaining success than members, while Naurin and Lindahl's (2010) dataset of 'network capital' indicates that eurozone 'outs' are among the most sought-after coalition partners in the Council.

The results of this thesis put a question mark behind claims about adverse political consequences of differentiated integration in general, and the eurozone in particular. As was shown, the superior voting power of eurozone members, the existence of exclusive bodies like the Eurogroup, as well as the presence of incentives to use these advantages did not translate into clear benefits for eurozone members in legislative negotiations. Membership in the euro does not mean joining a 'club of winners' in the Council.

Secondly, the thesis feeds into research on sources of negotiation performance in the Council. Here, scholars have identified a range of factors explaining high performance, including salience (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011), holding the Council presidency (Kollman 2003; Schalk et al. 2007; Thomson 2008; Veen 2011; Warntjen 2008), network capital (Naurin 2007; Naurin and Lindahl 2008)

and taking less extreme positions (Arregui and Thomson 2009; Bailer 2004; Thomson 2011; Veen 2011).

Here, the main contribution of this thesis is, quite simply, to show that membership in the eurozone does *not* seem to be a source of additional negotiation performance in the Council. This finding holds independently of the policy area in which a legislative proposal was negotiated, and regardless of timing: eurozone members were not more successful in the Council during the euro crisis.

The third body of EU research to which this thesis speaks is about conflict structures in the Council. As was shown in Chapter 4, extant research identifies cleavages based on *ideology* (left vs. right orientation of governments⁴⁸, preference for integration vs. independence⁴⁹ or for regulatory vs. market-based policies⁵⁰), *interests* (net contributors vs. net beneficiaries⁵¹, 'new' vs. 'old' member states⁵²) and *geographical proximity* (Northern vs. Southern⁵³, Eastern vs. Western⁵⁴ member states).

As regards this body of literature, the main input of this thesis is the finding that there is no sign of a 'eurozone vs. non-eurozone cleavage'. This might be due to the fact the 'traditional' geographical cleavages are stronger than the grouping of eurozone member states. At the same time, the analysis of coalition patterns in this thesis confirms the existence of cleavages along the North-South and East-West axes.

Finally, the thesis speaks to literature on issue-linkage in international regimes⁵⁵. International regimes are seen as facilitators of issue-linkages which allow negotiators to reach mutually beneficial outcomes (Haas 1980; Keohane 1984; Davis 2004). As Robert Keohane writes, thanks to international regimes there are more potential *quids* available for the *quo*,

⁴⁸ Mattila 2004, 2009, Hagemann and Hoyland 2008, Hosli et al. 2011.

⁴⁹ Tsebelis et al. 2000.

⁵⁰ Arregui et al. 2004.

⁵¹ Zimmer et al. 2005, Bailer 2011, Bailer et al. 2015.

⁵² Mattila 2009, Thomson 2009, Naurin and Lindahl 2008.

⁵³ Elgström 2001, Kaeding and Selck 2005, Mattila and Lane 2001, Thomson 2009, Zimmer et al. 2005, Naurin and Lindahl 2008.

⁵⁴ Mattila 2009, Veen 2011, Thomson 2009.

⁵⁵ James Sebenius provides the concise definition that issues are linked "when they are simultaneously discussed for joint settlement" (1983: 287).

and a stronger incentive for states to keep promised deals due to repeated negotiations (1984: 91).

In the case of the EU, exclusive bodies for eurozone members (like the Eurogroup) might have served as additional venues for issue-linkage, providing their members with an advantage over non-members excluded from the linkage-making. However, this thesis shows that exclusive ‘institutions within an institution’ did not provide its members with an advantage. As has been shown, the ability to benefit from them was arguably prohibited by divisions among its members.

Moreover, it is possible that issue-linkage was made difficult by the transparency which characterises legislative negotiations in the EU. Because member state representatives meet constantly at all levels of the Council (working groups, COREPER, ministers) as well as in the European Council, it might be difficult for eurozone members to conceal any attempts to craft exclusive legislative deals in the Eurogroup.

In sum, the thesis contributes the finding that exclusive ‘institutions within an institution’ do not necessarily provide its members with an advantage in international regimes. This advantage might be jeopardized by political disunity, or by a transparent setup of the negotiations resulting from a dense institutional environment.

5.3. Limitations and future research

The thesis focused on legislative negotiations in the Council under co-decision, which are the ‘bread and butter’ of daily decision-making in the Union. Future research could extend this focus by looking, for instance, at eurozone membership’s political impact in other bodies, such as the European Council, the European Parliament or the European Commission. Alternatively, one could focus on eurozone’s role in different kinds of decisions: both high-profile ‘EU battles’ (such as fights over top EU jobs or

'grand bargains' during budgetary or treaty-change negotiations) and different types of decisions in the Council, e.g. Council conclusions.

A second limitation of the study consists in the fact that it analyses only *completed* legislative files. Future studies could broaden the focus by looking at proposals which were introduced by the Commission but not adopted by the Council. Or they could go even one step back to look for cases where the Commission refrained from tabling a proposal because it anticipated resistance in the Council. This would allow to study the ability of eurozone members to build *blocking minorities*. It could be that the eurozone is more powerful if its ability to block legislation is taken into account.

Future research could go in at least two directions. First, it would be interesting to study how the involvement of the European Parliament (EP) in the legislative process changes the balance of power between eurozone members and non-members. Lukas Obholzer (2014) shows that the EP makes a difference: in many cases, member states excluded from a winning coalition in *early-stage* coalition formation in the Council are nevertheless included in the *final* winning coalition, after the involvement of the EP. The question would be if the EP, perhaps due to the fact of lacking clear eurozone-related divisions, disproportionately often 'helps' eurozone 'outs' excluded in the Council to be included in the final coalition. In other words: is the EP the non-members' best friend?

Secondly, it would be worthwhile to see if and how Brexit affected relations between eurozone 'ins' and 'outs'. Mathematically, Brexit significantly extends the majority margin of eurozone member states. After Brexit, the 19 eurozone countries make up 70% of EU member states and 76% of population (a shift from 67% and 66%, respectively). This should make it (mathematically) easier for 'ins' to outvote the 'outs', even in cases where not all eurozone members are on board.

Furthermore, due to Brexit it has become harder for 'outs' to build blocking minorities. The eight 'outs' collectively represent 24% of the EU population, thereby falling far below the blocking minority threshold which requires at least four member states representing at least 35% of EU citizens. Besides voting mathematics, the influence of 'outs' could decline further in the future due to structural divisions inside the group, such as diverging interests in economic policy due to differing stages of economic development between the Nordic and the Eastern European member states.

As a result, the spectre of sharp conflicts between eurozone 'ins' and 'outs' could still re-emerge and threaten the political cohesion of the European Union. Monitoring this dynamic could be a worthwhile undertaking for future research.

Appendix

A. The eurozone as a project of ‘differentiated integration’

Table 1. Overview of differentiated integration in the EU

Project of differentiated integration	Members	Legal basis	Dedicated political bodies
Eurozone	19	Opt-out in EU Treaty	Eurogroup, Euro Summit, Eurogroup Working Group
Common Security and Defense Policy (CSDP)	26	Opt-out in EU Treaty	None
Justice and Home Affairs (JHA)	25	Flexible opt-out/opt-in arrangement in EU Treaty	None
Euro Plus Pact	25	Intergovernmental agreement	None
Fiscal Pact	24	Intergovernmental agreement	None
Schengen Agreement	25	Opt-out in EU Treaty	None
Charter of Fundamental Rights	26	Opt-out in EU Treaty	None
EU Patent	25	Enhanced cooperation	None
Rules for divorce for international couples	16	Enhanced cooperation	None
Property regimes of international couples	18	Enhanced cooperation	None
European Public Prosecutor's Office	22	Enhanced cooperation	None
Permanent Structured Cooperation on security and defence (PESCO)	25	Permanent Structured Cooperation	None

As can be seen in Table 1, the eurozone has three dedicated political bodies: the Eurogroup (which has been meeting since 1998, i.e. already one year before the euro was launched), as well as two bodies added in the course of the euro crisis: the Euro Summit and the Eurogroup Working Group.

In contrast, differentiated integration in policy areas like Common Security and Defence Policy (CSDP) and Justice and Home Affairs (JHA), or in DI projects on single pieces of legislation, does not involve dedicated decision-making structures. For instance, non-members of CSDP (Denmark) or JHA (Denmark, Ireland) are included in the decision-making process in the respective fields at all levels of the Council (working groups, permanent representatives and ministers), albeit without a right to vote on proposals covered by their opt-outs (Adler-Nissen 2014: 125). Consequently, while representatives of these member states can't influence legislation through voting, they participate in discussions and have full information on issues decided in the policy area.

For the area of Justice and Home Affairs (JHA) there is even a so-called 'opt-in' arrangement, which allows opt-out countries to vote with full rights in the JHA Council if their governments decide to be bound by the decision.

B. Extension of co-decision under subsequent Treaty revisions

Amsterdam Treaty extensions (in force since May 1st 1999) (Petite 1998):

- non-discrimination on the grounds of nationality (Article 6),
- freedom of movement and residence (Article 8a(2)),
- social security for migrant workers (Article 51),
- right of establishment for foreign nationals (Article 56(2)),
- rules governing professions (Article 57(2)),
- implementation of transport policy (Articles 75 and 84),
- certain provisions arising from the social protocol, now reintegrated into the Treaty,
- decisions implementing the Social Fund (Article 125),
- vocational training (Article 127(4)),
- public health (Article 129),
- certain provisions relating to trans-European networks (Article 129d),
- decisions implementing the European Regional Development Fund (Article 130e),
- research (Article 130o),
- the environment (Article 130s(1)),
- development cooperation (Article 130w),
- equal opportunities and equal treatment (Article 119),
- openness (Article 191a),
- measures to counter fraud (Article 209a),
- statistics (Article 213a),
- creation of an advisory body on data protection (Article 213b),
- incentive measures for employment (Article 109r),
- customs cooperation (Article 116),
- incentive measures for combating social exclusion (Article 118(2)).

Nice Treaty extensions (in force since February 1st 2003) (European Commission 2003):

- incentive measures to combat discrimination (Article 13),
- border controls and measures concerning asylum, refugees and immigration policy (Articles 62, 63, 65)
- industrial policy, innovation, research and technological development (Article 157)
- measures to improve cohesion policy (Article 159)
- political parties at European level (Article 191)

Lisbon Treaty extensions (in force since December 1st 2009) (European Parliament 2008):

- services of general economic interest (Article 16 [14] TFEU) (Article 16 TEC)
- citizens' initiative (Article 21 [24] TFEU)
- application of competition rules to the common agricultural policy (Art. 36 [42], which refers to Article 43, paragraph 2, TFEU) (Article 36 TEC: qualified majority in Council and simple consultation of EP)
- legislation concerning the common agricultural policy (Article 37 [43], paragraph 2, TFEU) (Article 37, paragraph 2: qualified majority in Council and simple consultation of EP)
- exclusion in a Member State of certain activities from the application of provisions on the right of establishment (Article 45 [51], second paragraph, TFEU) (Article 45, second paragraph, TEC: qualified majority in the Council without participation of EP)
- extending provisions on freedom to provide services to service providers who are nationals of a third State and who are established within the Union. (Article 49 [56], second paragraph, TFEU) (Article 49, second paragraph, TEC: qualified majority in the Council without participation of EP)
- liberalisation of services in specific sectors (Article 52 [59], paragraph 1, TFEU) (Article 52, paragraph 1, TEC: qualified majority in Council and simple consultation of EP)

- measures to eliminate distortions in the internal market (Article 96 [116] TFEU) (Article 96 TEC: qualified majority in the Council without participation of EP)
- intellectual property except language arrangements for the European intellectual property rights (Article 97a [118], first paragraph, TFEU)
- multilateral surveillance (Article 99 [121], paragraph 6, TFEU) (Article 99, paragraph 5, TEC: cooperation procedure)
- modification of the Protocol on the Statutes of the ESCB and ECB (Article 107 [129] paragraph 3, TFEU) (Article 107, paragraph 5, TEC: unanimity in the Council or, depending on the case, qualified majority after assent of EP)
- measures necessary for the use of the euro (Article 111a [133], TFEU) (Article 123, paragraph 4, TEC)
- sport (Article 149 [165], paragraphs 2, point (g), and 4, TFEU)
- public health – measures to tackle common safety concerns in the health sphere (Article 152 [168], paragraph 4, TFEU) (Article 152, paragraph 4, TEC)
- public health – incentive measures to protect human health and in particular to combat the major cross-border health scourges, and measures to tackle tobacco and alcohol abuse (Article 152 [168], paragraph 5, TFEU)
- Cohesion Fund (Article 161 [177], second paragraph TFEU) (Article 161 TEC: currently: unanimity in the Council and assent of EP; as from 2007: qualified majority in the Council and assent of EP)
- implementation of European research area (Article 166 [182], paragraph 5, TFEU)
- space policy (Article 172a [189] TFEU)
- energy, excluding measures of a fiscal nature (Article 176 A [194], second paragraph, TFEU)
- tourism – measures to complement the action of the Member States in the tourism sector (Article 176 B [195], second paragraph, TFEU)
- civil protection against natural and man-made disasters⁸ (Article 176 C [196], second paragraph, TFEU)

- administrative cooperation in implementing Union law by Member States (Article 176 D [197], second paragraph, TFEU)
- commercial policy – implementing measures (Article 188 C [207], second paragraph, TFEU) (Article 133 TEC: qualified majority in the Council without consultation of EP)
- economic, financial and technical cooperation with third countries (Article 188 H [212], second paragraph, TFEU) (Article 181 A TEC: qualified majority in the Council and simple consultation of EP)
- general framework for humanitarian operations (Article 188 J [214], paragraph 3, TFEU)
- European Voluntary Humanitarian Aid Corps (Article 188 J [214], paragraph 5, TFEU)
- creation of specialised courts (Article 225 A [257] TFEU) (Article 225A TEC: unanimity in the Council and simple consultation of EP)
- modification of Statute of Court of Justice, except Title I and Article 64 (Article 245 [281] TFEU) (Article 245 TEC: unanimity in the Council and simple consultation of EP)
- procedures for monitoring the exercise of implementing powers (Article 249 C [291], paragraph 3, TFEU) (Article 202 TEC: unanimity in the Council and simple consultation of EP)
- European Administration (Article 254a [298], second paragraph, TFEU)
- adoption of financial rules (Article 279 [322], paragraph 1, TFEU) (Article 279, paragraph 1, TEC: unanimity in the Council after consultation of EP, then, as from 2007, qualified majority in the Council)
- Staff Regulations of officials and Conditions of Employment of Other Servants of the Union (Article 283 [336] TFEU) (Article 283 TEC: qualified majority in the Council and simple consultation of EP)

C. Components of the RILE index

For the left-right variable, CMP's Right-Left index (RILE) is used, which is constructed by subtracting the sum of 13 "left"-associated categories from the sum of 13 "right"-oriented categories and dividing by the sum of all categories. The labelling of categories as 'left' and 'right' was done on the basis of theoretical writings about left-right cleavages (Budge 2013). It reflects key conflicts, such as: a positive versus negative approach to protectionism, preference for market regulation versus free enterprise or expansion versus limitation of the welfare state. The table below lists all categories of the index.

Left		Right	
Code	Name	Code	Name
per103	Anti-imperialism: Positive	per104	Military: Positive
per105	Military: Negative	per201	Freedom and Human Rights
per106	Peace: Positive	per203	Constitutionalism: Positive
per107	Internationalism: Positive	per305	Political Authority
per202	Democracy	per401	Free Enterprise
per403	Market Regulation	per402	Economic Incentives
per404	Economic Planning	per407	Protectionism: Negative
per406	Protectionism: Positive	per414	Economic Orthodoxy
per412	Controlled Economy	per505	Welfare State Limitation
per413	Nationalization	per601	National Way of Life: Positive
per504	Welfare State Expansion	per603	Traditional Morality: Positive
per506	Education Expansion	per605	Law and Order
per701	Labour Groups: Positive	per606	Social Harmony

D. Inclusion per Council configuration

The following two tables show full estimates for the models on which the graphs in Chapter 3.3.2. are based. To recall, the research interest is to show if there was a difference in the inclusion of eurozone members versus non-members *depending on the Council configuration* in which the proposal was negotiated.

To this end, the models include interaction terms which capture how inclusion in proposals negotiated in a given Council configuration differs for eurozone members, holding the control variables constant.

Table 1 displays the regression output for the pre-enlargement period (model 5) and post-enlargement period (model 6). Table 2 displays average marginal effects of inclusion for Eurozone members per Council configuration.

When perusing these two tables, it is worthwhile to bear in mind the specific way in which interactions in logistic regression are reported. In Table 1, the interactions (Eurozone membership x Council configuration) are reported *in comparison with a reference category*. Specifically, across Table 1 the reference category is the inclusion of non-members of the eurozone in the Agriculture and Fisheries (AGRIFISH) configuration.

In contrast, the average marginal effects reported in Table 2 (as well as the graphs in Chapter 3.3.2.), while being based on the same two models, report interactions in a different way. Here, the coefficients show, for observations from a given Council configuration, the difference in predicted probabilities of inclusion for eurozone members as compared with non-members, taking the remaining independent variables at observed values. Thus, in contrast to Table 1, the coefficients *do not* refer to a different Council configuration (reference category). This explains why coefficients differ between Table 1 and Table 2.

Table 1

	Inclusion in Council coalitions	
	Model 5: Pre-enlargement	Model 6: Post-enlargement
	Log odds	Log odds
Eurozone membership	0.954*** (0.297)	-0.285 (0.239)
Competitiveness (COMPET)	0.416 (0.358)	0.639*** (0.187)
Economic and Financial Affairs (ECOFIN)	-0.629 (0.668)	0.553 (0.439)
Environment (ENV)	0.208* (0.124)	-0.102 (0.294)
Employment, Social Policy, Health and Consumer Affairs (EPSCO)	0.975** (0.460)	0.262 (0.186)
Education, Youth, Culture and Sport (EYC)	-0.339 (0.501)	1.070** (0.526)
Transport, Telecommunications and Energy (TTE)	0.670*** (0.185)	0.906*** (0.271)
Foreign Affairs Council (FAC)		0.658** (0.333)
Justice and Home Affairs (JHA)		0.926*** (0.268)
EZ membership x COMPET	-0.787* (0.437)	0.246 (0.282)
EZ membership x ECOFIN	-1.188* (0.646)	0.0165 (0.505)
EZ membership x ENV	-0.294 (0.279)	0.463 (0.394)
EZ membership x EPSCO	-1.185** (0.538)	0.317 (0.306)
EZ membership x EYC	2.222* (1.202)	-0.0278 (0.620)
EZ membership x TTE	-0.919*** (0.292)	-0.225 (0.314)
EZ membership x FAC		0.140 (0.454)
EZ membership x JHA		-0.418 (0.356)
Council presidency	2.368*** (0.335)	1.695*** (0.278)
Net contributor	-0.367** (0.149)	-0.378*** (0.107)
Population size	-0.0143*** (0.00267)	-0.0158*** (0.00189)
Pro-anti integration: MS-Presidency	0.0479 (0.0366)	0.0763*** (0.0196)
Pro-anti integration: MS-Council	-0.0297 (0.0295)	0.0136 (0.0396)
Left-right: MS-Presidency	-0.00101 (0.00291)	-0.00143 (0.00607)
Left-right: MS-Council	-0.00415	0.0106

	(0.00862)	(0.00819)
Constant	0.690**	1.027***
	(0.287)	(0.169)
Clustered standard errors	Member states	Member states
Number of legislative proposals	116	187
Number of member states	15	25/27/28
Observations	1,740	4,505
Log likelihood	-985.42478	-2281.9741
Akaike Information Criterion	1998.850	4613.948

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Table 2	Inclusion in winning coalitions in the Council: average marginal effects of eurozone membership per Council configuration	
	Model 5: Pre-enlargement	Model 6: Post-enlargement
	AME	AME
Economic and Financial Affairs	-0.051 (0.108)	-0.045 (0.060)
Competitiveness	0.034 (0.084)	-0.006 (0.029)
Employment, Social Policy, Health and Consumer Affairs	-0.042 (0.077)	0.006 (0.036)
Transport, Telecommunications and Energy	0.007 (0.051)	-0.077*** (0.025)
Agriculture and Fisheries	0.197*** (0.059)	-0.059 (0.050)
Environment	0.133*** (0.036)	0.036 (0.04)
Education, Youth, Culture and Sport	0.447*** (0.150)	-0.041 (0.062)
Justice and Home Affairs		-0.110*** (0.036)
Foreign Affairs Council		-0.022 (0.075)

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. AME (average marginal effects) show the difference in predicted probabilities of inclusion for eurozone members as compared with non-members.

E. Robustness checks

E1. Multiple imputation

Data from the Comparative Manifesto Project yields ideological (left-right and pro-anti integration) positions for 94% of observations in the dataset. Data is missing for Malta (which has not been included in CMP so far) and Latvia after 2011 (which has yet to be coded). In the following, models for the post-enlargement period used in the thesis will be calculated with and without multiple imputation to identify any differences resulting from missing data. Regression imputation with chain equations is used (Van Buuren 2007), with 10 multiple imputed datasets on the four ideological variables⁵⁶ using all remaining covariates as well as the dependent variable as predictors.

The analysis shows that the results are robust to imputation. The statistical significance of the main predictors of interest stays the same across all models: that is, eurozone membership in models 3-4, interactions of eurozone membership and Council configuration in model 6 and interaction of eurozone membership and crisis period in model 7.

The only instance where the imputed model returns a significantly different results concerns a dummy variable for the Foreign Affairs Council (model 6 MI). However, this change does not affect the main variable of interest concerning this configuration – the interaction of eurozone membership and Foreign Affairs Council – which does not change its statistical significance in the imputed model.

⁵⁶ These are: pro-anti integration distance of a member state to the presidency and the Council, as well as the left-right distance to the presidency and the Council.

	Inclusion in Council coalitions			
	Model 3	Model 3 MI	Model 4	Model 4 MI
	Log odds	Log odds	Log odds	Log odds
Eurozone membership	-0.304*** (0.0906)	-0.302*** (0.0939)	-0.136 (0.229)	-0.121 (0.206)
Council presidency	1.669*** (0.265)	1.696*** (0.271)	1.691*** (0.256)	1.708*** (0.264)
Net contributor	-0.360*** (0.104)	-0.326*** (0.110)	0.0983 (0.412)	0.0917 (0.388)
Population size	-0.0157*** (0.00185)	-0.0152*** (0.00193)	0.115* (0.0625)	0.109* (0.0572)
Pro-anti int.: MS-Presidency	0.0618*** (0.0202)	0.0588*** (0.0222)	0.0506** (0.0204)	0.0499** (0.0225)
Pro-anti int.: MS-Council	0.0209 (0.0387)	0.0209 (0.0360)	-0.0250 (0.0250)	-0.0186 (0.0397)
Left-right: MS-Presidency	8.52e-05 (0.00607)	0.000259 (0.00558)	-0.000437 (0.00654)	8.60e-05 (0.00586)
Left-right: MS-Council	0.00955 (0.00812)	0.00866 (0.00776)	0.00238 (0.00883)	0.00330 (0.00850)
Constant	1.642*** (0.125)	1.602*** (0.128)	-0.240 (0.654)	-0.250 (0.594)
Fixed effects	No	No	Member states	Member states
Multiple imputation	No	Yes	No	Yes
Standard errors clustered by	Member states	Member states	Member states	Member states
Observations	4,505	4,934	4,505	4,934

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

	Inclusion in Council coalitions	
	Model 6	Model 6 MI
	Log odds	Log odds
Eurozone membership	-0.285 (0.239)	-0.292 (0.230)
Competitiveness (COMPET)	0.639*** (0.187)	0.523*** (0.193)
Economic and Financial Affairs (ECOFIN)	0.553 (0.439)	0.406 (0.404)
Environment (ENV)	-0.102 (0.294)	-0.233 (0.300)
Employment, Social Policy, Health and Consumer Affairs (EPSCO)	0.262 (0.186)	0.173 (0.180)
Education, Youth, Culture and Sport (EYC)	1.070** (0.526)	1.032** (0.521)

Transport, Telecommunications and Energy (TTE)	0.906*** (0.271)	0.817*** (0.267)
Foreign Affairs Council (FAC)	0.658** (0.333)	0.529 (0.351)
Justice and Home Affairs (JHA)	0.926*** (0.268)	0.750*** (0.281)
EZ membership x COMPET	0.246 (0.282)	0.249 (0.276)
EZ membership x ECOFIN	0.0165 (0.505)	0.0906 (0.474)
EZ membership x ENV	0.463 (0.394)	0.481 (0.397)
EZ membership x EPSCO	0.317 (0.306)	0.272 (0.299)
EZ membership x EYC	-0.0278 (0.620)	-0.0418 (0.614)
EZ membership x TTE	-0.225 (0.314)	-0.202 (0.307)
EZ membership x FAC	0.140 (0.454)	0.285 (0.468)
EZ membership x JHA	-0.418 (0.356)	-0.377 (0.366)
Council presidency	1.695*** (0.278)	1.725*** (0.281)
Net contributor	-0.378*** (0.107)	-0.342*** (0.112)
Population size	-0.0158*** (0.00189)	-0.0154*** (0.00195)
Pro-anti integration: MS-Presidency	0.0763*** (0.0196)	0.0706*** (0.0219)
Pro-anti integration: MS-Council	0.0136 (0.0396)	0.0160 (0.0367)
Left-right: MS-Presidency	-0.00143 (0.00607)	-0.000642 (0.00555)
Left-right: MS-Council	0.0106 (0.00819)	0.00934 (0.00787)
Constant	1.027*** (0.169)	1.093*** (0.157)
Multiple imputation	No	Yes
Clustered standard errors	Member states	Member states
Observations	4,505	4,934

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

	Inclusion in Council coalitions after enlargement	
	Model 7	Model 7 MI
	Log odds	Log odds
Eurozone membership	-0.343*** (0.126)	-0.336*** (0.121)
Euro crisis period	0.223 (0.139)	0.212 (0.146)
EZ membership x Crisis period	0.031 (0.178)	0.0224 (0.183)
Council presidency	1.685*** (0.279)	1.711*** (0.283)
Net contributor	-0.346*** (0.103)	-0.311*** (0.110)
Population size	-0.0157*** (0.00189)	-0.0152*** (0.00197)
Pro-anti int.: MS-Presidency	0.0654*** (0.0208)	0.0610*** (0.0226)
Pro-anti int.: MS-Council	0.0127 (0.0389)	0.0141 (0.0356)
Left-right: MS-Presidency	-0.00174 (0.00584)	-0.00134 (0.00539)
Left-right: MS-Council	0.00976 (0.00789)	0.00885 (0.00762)
Constant	1.540*** (0.149)	1.499*** (0.147)
Multiple imputation	No	Yes
Clustered standard errors	Member states	Member states
Observations	4,505	4,934

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

E2. Cut-off dates for euro crisis

The models in Chapter 3.3.3. use 1st January 2010 as the cut-off point separating cases negotiated before and after the euro crisis. The justification for this choice was provided in the chapter. However, any choice of this kind entails some degree of subjectivity. To make sure that the choice does not put the results into question, the regression was re-run with three alternative cut-off dates apart from the original 2010: 1st January of 2009, 2011 and 2012.

	Inclusion in Council coalitions after enlargement			
	Log odds	Log odds	Log odds	Log odds
Eurozone membership	-0.473*** (0.137)	-0.343*** (0.126)	-0.314*** (0.119)	-0.303*** (0.114)
Euro crisis period	-0.0322 (0.138)	0.223 (0.139)	0.187 (0.134)	0.136 (0.152)
EZ membership x crisis period	0.239 (0.177)	0.031 (0.178)	-0.0129 (0.172)	-0.0267 (0.199)
Council presidency	1.713*** (0.275)	1.685*** (0.279)	1.675*** (0.275)	1.660*** (0.275)
Net contributor	-0.347*** (0.102)	-0.346*** (0.103)	-0.351*** (0.103)	-0.356*** (0.103)
Population size	-0.0156*** (0.00185)	-0.0157*** (0.00189)	-0.0157*** (0.00188)	-0.0157*** (0.00187)
Pro-anti int.: MS-Presidency	0.0666*** (0.0208)	0.0654*** (0.0208)	0.0606*** (0.0204)	0.0604*** (0.0201)
Pro-anti int.: MS-Council	0.0117 (0.0379)	0.0127 (0.0389)	0.0176 (0.0393)	0.0177 (0.0396)
Left-right: MS-Presidency	0.00967 (0.00798)	-0.00174 (0.00584)	0.00970 (0.00801)	0.0102 (0.00793)
Left-right: MS-Council	-0.000438 (0.00591)	0.00976 (0.00789)	-0.00104 (0.00596)	-0.00125 (0.00594)
Constant	1.665*** (0.161)	1.540*** (0.149)	1.572*** (0.146)	1.607*** (0.147)
Average marginal effects for Eurozone members vs. non-members during eurozone crisis	-0.038**	-0.049**	-0.052**	-0.053**
Chosen crisis cut-off	2009	2010	2011	2012
Standard errors clustered by	Member states	Member states	Member states	Member states
Observations	4,505	4,505	4,505	4,505

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

As can be seen in the preceding table, the inclusion of different cut-off points does not substantially change the model in terms of the strength of effects, and it does not change the statistical significance of any coefficient. Also the difference between eurozone members versus non-members calculated using average marginal effects is not affected in a major way: eurozone members were between 3.8% (cut-off: 2009) and 5.3% (cut-off: 2012) less likely to be included in winning coalitions than non-members, at $p < 0.05$.

E3. Effects for ‘new’ versus ‘old’ member states

Chapter 3.3.1. analyses the probability of inclusion in winning coalitions in the Council. The studied hypothesis number 1 posits that *Eurozone member states are more likely to be included in winning coalitions in the Council.*

However, it might be that the probability of inclusion differs for ‘old’ versus ‘new’ member states. As outlined in Chapter 1.3.2., non-members of the eurozone among ‘old’ member states might have developed specific political tactics which allow to compensate for their non-membership. As a result, it might be that they are less affected by eurozone-related effects than the ‘new’ members, which did not have the same length of experience.

To assess this claim, separate models for ‘old’ and ‘new’ member states are estimated in the post-enlargement period (2004-2016).

The models show that eurozone membership had a statistically significant negative effect of *similar magnitude* for both the ‘old’ and ‘new’ member states. Thus, there seems to be no meaningful difference between ‘new’ and ‘old’ member states as regards the effects of membership on inclusion in winning coalitions.

	Inclusion in Council coalitions after enlargement	
	“Old” member states	“New” member states
	Log odds	Log odds
Eurozone membership	-0.300* (0.175)	-0.228** (0.104)
Council presidency	2.423** (1.009)	1.565*** (0.243)
Net contributor	0.0964 (0.305)	-0.179 (0.129)
Population size	-0.0234*** (0.00640)	-0.0144*** (0.00187)
Pro-anti int.: MS-Presidency	0.0173 (0.0411)	0.0672*** (0.0209)
Pro-anti int.: MS-Council	-0.0130 (0.0521)	0.0199 (0.0393)
Left-right: MS-Presidency	-0.0199*** (0.00613)	0.00730 (0.00714)
Left-right: MS-Council	0.0278* (0.0151)	0.00403 (0.00900)
Constant	2.035*** (0.275)	1.303*** (0.100)
Clustered standard errors	Member states	Member states
Observations	2,093	2,528

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

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