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**CESAR GARCIA PEREZ DE LEON**

## **Coalition Formation and Agenda Setting in EU Environmental Policy after the Enlargement**

**Cesar Garcia Perez de Leon** holds a PhD in Political Science from University of Geneva. He is currently a Marie Curie Research Fellow at the Centre d'études européens, Sciences Po, Paris.

**Cesar Garcia Perez de Leon** est docteur en science politique de l'Université de Genève. Il est actuellement chercheur Marie Curie au Centre d'études européennes de Sciences Po à Paris.

Contact: [cesar.garciaperezdeleon@sciences-po.org](mailto:cesar.garciaperezdeleon@sciences-po.org)

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## Coalition Formation and Agenda Setting in EU Environmental Policy after the Enlargement

**Keywords:** Agenda setting, Coalition formation, Enlargement, Environmental Policy, EU legislative process

### **Abstract:**

The eastern enlargement of the EU has greatly increased the heterogeneity in the configuration of preferences of European member states. This scenario was expected to significantly difficult the capacity of the legislative process to take decisions. However, decision-making in the EU has shown a remarkable capacity of adaptation in the face of the entrance of new members. This article argues that this adaptation is indeed normal. I introduce a mixed model of coalitional bargaining and agenda setting which explains legislative decision making in the face of preference heterogeneity. The model shows how coalition formation incorporates the preference variations infused by new member states in surplus winning coalitions adopting moderate compromises and how the intervention of a supranational EP influences the final decision towards more advanced legislation. The application of the model to the area of environmental policy shows that under the conditions of preference heterogeneity of the enlargement context, the EU legislative process is likely to generate legislation at medium levels of policy change, appeasing the risk for deadlock but also restraining the introduction of more integrationist legislation.

### **Résumé:**

*L'élargissement à l'Est de l'Union européenne a fortement augmenté l'hétérogénéité de la configuration des préférences de ses Etats membres. Il était attendu que ce scénario réduise significativement la capacité du processus décisionnel à aboutir à des décisions. Cependant, la prise de décision au sein de l'UE a montré une capacité d'adaptation à l'arrivée de nouveaux membres remarquable. Cet article, qui se base sur un modèle mixte de négociation par coalition et de mise sur l'agenda permettant d'expliquer la formation des coalitions en situation d'hétérogénéité des préférences, défend l'idée selon laquelle cette adaptation est normale. Le modèle montre comment la formation de coalitions prend en compte la variation des préférences induite par les nouveaux membres dans des coalitions gagnantes en surplus en adoptant des compromis modéré et comment l'intervention du Parlement européen en tant qu'acteur supranational oriente la décision en direction d'une législation plus avancée. L'application de ce modèle au cas de la politique environnementale montre qu'il est probable que, dans une situation d'hétérogénéité des préférences liée au contexte de l'élargissement, le processus législatif européen produise un changement modéré, réduisant ainsi le risque d'impasse mais réduisant également dans le même temps la possibilité d'une législation plus intégrationniste.*

## Introduction<sup>1</sup>

In 2004, 10 new member states from Eastern Europe joined the extant 15 members. In 2007 the EU extended its membership with the incorporation of Rumania and Bulgaria, completing a total of 27 member states. The entrance of the new countries has a potentiality to disrupt the fragile equilibrium in the coalitional dynamics of the EU environmental policy. As in most policy areas subject to European regulation, it is indeed undeniable that the enlargement has had the effect of considerably increasing the heterogeneity of preferences of EU member states (Dobbins, 2008; Hertz and Leuffen, 2008). Analytical studies predict that this heterogeneity is to decrease the capacity to act of the EU, leading to situations with a large potential for legislative gridlock (Lane and Maeland, 2002; König and Bräuninger, 2004; Tsebelis and Yataganas, 2002). Yet, contrary to these expectations, actual voting behaviour in the period immediate after the enlargement shows a continuation of past trends of legislative performance, without a significant reduction in the volume of legislation enacted by the EU. In the years 2002 and 2003, the average number of legislative acts passed by the Council of Ministers (henceforth “the Council”) was of 194 per year. In the immediate period following the enlargement this amount decreased considerably (134 pieces in 2005). However, from 2006 to 2008 the total adoption rate was back to normal, with an average of 210 acts per year<sup>2</sup> (see for more detailed analyses Best and Settembrini, 2007; Dehousse et al. 2006; Hagemann and De Clerk-Schasee, 2007). This continuity suggests a notable capacity of adaptation in the decision-making process of the EU in the face of the enlargement, raising an intriguing puzzle about the legislative behaviour in the EU.

The area of environmental policy is especially representative of the puzzle of legislative politics after the enlargement, as it presents a clear pattern of preference heterogeneity between old and new member states. The essential collective choice problem

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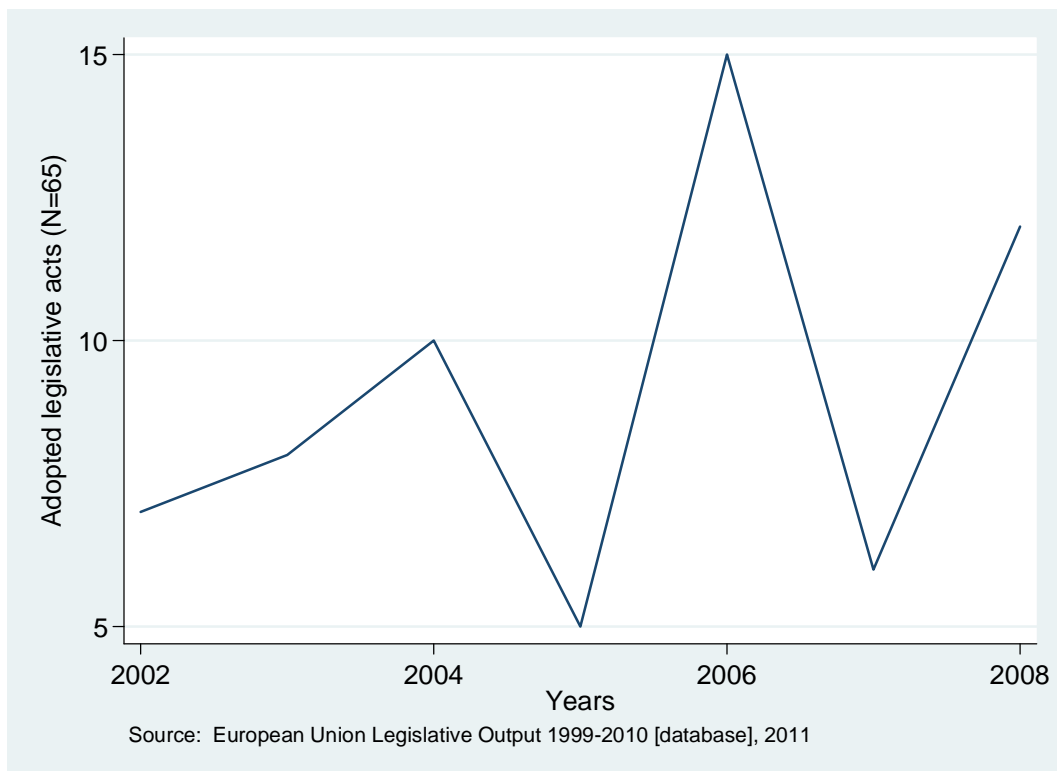
<sup>2</sup> European Union Legislative Output 1999-2010 [database], Centre d'études européennes (Sciences Po) and Centre for Socio-Political Data (Sciences Po, CNRS) [producers], Centre for Socio-political Data (CNRS) [distributor]

in environmental issues is one of regulating the effect of mutual negative externalities provoked by different domestic levels of production and consumption activities. European-based legislation attempts to eliminate high levels of air pollution, waste disposal and health as safety hazards. Yet, the proper standard of regulation is a matter of controversy. The poorest, least industrialised European countries would prefer low standards of environmental regulation in order to preserve low costs of production and remain competitive. In contrast, highly industrialised countries with a pronounced commitment to environmental policy prefer higher standards in order to protect their own industries (Heritier, 1999; Scharpf, 1996). Since 1994, environmental policy has empirically shown one of the few stable coalitional patterns in the legislative process of the EU-15, consisting of a cleavage between Northern and Southern member states<sup>3</sup>. As Holzinger points out, it was nearly impossible to form a winning coalition in the Council that did not include the (opposed) votes of the pro-environmentalists and “laggards” (Holzinger, 1997). With the enlargement to Eastern Europe, however, doubts about whether such a coalitional equilibrium would be maintained have soon arisen. A first reason of concern has already been suggested. The share increase of the number of actors in the Council extremely complicates the decisiveness of the EU, potentially reducing the probability of the group to take decisions under the actual Nice-rule of Qualified Majority Voting (QMV) from 0.078 to 0.020 (Lane and Maeland, 2002)<sup>4</sup>. A second reason for possible disruption is suggested by empirical research. Basic empirical indicators, such as the GDP or the domestic systems of interest intermediation, have reinforced fears that the 12 new member states might not align themselves with the old member states in advancing EU environmental legislation (see Sedelmeier, 2002; Skaerseth and Wettestad, 2007). Yet, in contrast with this gloomy scenario, legislative output in environmental policy has even increased in the years after the enlargement (see Figure 1).

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<sup>3</sup> The north-south cleavage has been identified also in roll-call data analyses, which treat decisions in all policy domains of the EU (Mattila and Lane, 2001). Yet it is in environmental policy where it appears as more recognizable

<sup>4</sup> Thorough the paper, I take the TEC, as amended in Nice, as the reference. I do not use the Lisbon Treaty as a reference because the provisions for the Qualified Majority decisions rules in the Council of Ministers do start to be applied in November 2014.



**Figure 1 Environmental legislative output before and after the enlargement**

At a substantive level, the increase of legislative output seems to correspond to inductive accounts suggesting that old and new member states have been able to conciliate their disparate demands in environmental issues. On the one hand, old member states made sure that the new entrants committed to adopt the entire environmental *aquis communautaire* without considerable exceptions or side payments (Sedelmeier, 2008). On the other hand, new members were successful in negotiating special treatment with regard to the financial burdens imposed to them in the face of new issues, such as the climate change package or the financial crisis (Lenschow, 2010). Finally, the reforms of European Commission consisting of the application diversified policy instruments, and the conciliatory behaviour of the EP, have served as institutional brakes preventing a race to the bottom in environmental regulatory competition (Lenschow, 2010; Holzinger and Sommerer, 2011). Why so much flexibility? How do the dynamics of the EU legislative process lead to accommodate the

diverging preferences of old and new member states? What is the expected direction of policy change resulting from these accommodations?

These are the questions that motivate this paper. I delineate a spatial mixed model of coalition formation and agenda setting in order to explain how legislative decisions are made under the co-decision procedure<sup>5</sup>. Following the analytical properties of the model, my basic hypothesis for environmental policy after the enlargement is that the flexibility of the decision-making process is indeed to be expected under conditions of preference heterogeneity and of a pro-environmental position of the EP. More concretely, the model posits that, under these conditions, surplus winning coalitions are likely to form in the Council, deciding on a common position beyond the status quo, but at moderate levels of policy change. Once this position is formed, the intervention of a supranational Parliament, that is, a Parliament holding preferences for more pronounced change than any of the member governments, will tip the balance towards a final outcome towards relatively more advanced legislation.

The proposed hypothesis is empirically evaluated for the area of environmental policy, where both conditions of heterogeneity and a supranational scenario hold. In order to carry out this evaluation, I use data on policy positions of member states and the EP on 23 issues from seven key environmental directives negotiated from 2004 to 2008. The data are part of the extended Decision-Making in the European Union project (DEU) (Thomson et al., 2006).<sup>6</sup> In using this information, the objective here is to offer a general pattern of the dimensions of conflict in the legislative policy space for environmental policy. My research design thus takes the average of all policy positions in the different issues and provides also an average outcome, so as to permit an evaluation of the forecasting power of the model.

The paper is organised as follows. First, I provide an outline of the spatial model, conceived as a representation of the co-decision procedure, and advance the equilibrium properties of this model under different preference scenarios, including the heterogeneous scenario. The second part of the paper develops the model in two phases. A first phase

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<sup>5</sup> For other “mixed models” see König and Proskch, 2006, and Widgrén and Pajala, 2006.

<sup>6</sup> Details on the DEU research project are presented below.

presents a spatial voting game which explains how a winning coalition in the Council is formed through a two-step modification of policy alignments among member states. This process involves an extension of a Banzhaf power index, which specifies the probabilities that policy coalitions will have of forming a winning coalition, and a bargaining process by which those coalitions bargain the policy stance the Council will adopt as a common position. The second phase is presented as a procedural game of agenda setting. It addresses the effect of the intervention of the EP on the legislative process, leading to a prediction of the final decisional outcome. The empirical data on environmental policy is introduced through the exposition of the model, so as to allow for a more illustrative reading of the reasoning of the model. The paper concludes with a discussion of the explanation provided for the adaptation of the legislative process to the enlargement.

### **1. The model: Decision-making process under the EU co-decision procedure**

Most of the EU environmental legislation is applied through the co-decision procedure, under Article 175 Treaty Establishing the European Community (TEC) (now ordinary legislative procedure under Article 294 TFEU)<sup>7</sup>. I will, therefore, concentrate on this procedure to model the decision-making process. The co-decision procedure is specified in the Article 251 Treaty on the European Union, and it is used to the enactment of Council directives. Passing legislation under co-decision requires a qualified majority vote in the Council of Ministers and an agreement of a majority of the EP. The track of the procedure is the following: the Commission submits a proposal, which is read by the EP and the Council. The Council adopts a *common position* on the proposal by qualified majority voting. Once this position is adopted, the Commission cannot make further amendments, and the final decision depends on the interaction between the Council and the EP. The EP can reject definitively the common position or accept it. As a third option, The EP can propose amendments. If the Council does not accept the amendments of the EP, a *Conciliation*

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<sup>7</sup> The changes introduced in the voting rules and the co-decision procedure in Lisbon would only slightly change the results of the present legislative analysis.



*Committee*, integrating representatives of both institutions, is convened. A proposal passes if it is voted by qualified majority of the Council and an absolute majority of the EP.

Posed to represent this procedure, the model portrays the decision-making process as a mixed game of complete information with two distinctive stages. First, a *cooperative spatial voting game* is applied to analyse the coalitional process by which the Council reach a common position. Secondly, a *non-cooperative procedural game* will account for the agenda-setting influence of the EP in the conciliation committee, which leads to the final decision. Following Tsebelis and Garrett (2001), I do not model the Commission agenda-setting powers under the co-decision procedure. This is because under the co-decision procedure the capacity of the Commission to strategically vary its proposal is limited to the first stages of the procedure. For this reason, the role of the European Commission is restricted in my model to initiating the process with a proposal. Under complete information, the Commission would anticipate that whatever the concrete position on this proposal it prefers, this position may be changed by the Council and the EP in the following stages of the procedure. Accordingly, my understanding is that the Commission “preference” is represented by all the viable alternatives in its proposal, leaving then to the lawmakers the discretion to decide among them. Given these considerations, the two stages of the model are as follows:

*The coalitional stage.* Following a proposal of the Commission, member governments strive to enter a winning coalition which will constitute a qualified majority in the Council. The model thus assumes that any government wishes to pass a decision and to have their preferences represented in this decision. This standard assumption of cooperative models is also fairly innocuous in the present context. The Commission is only expected to present a proposal in the first place if a discussion will follow on it, even if the discussion might lead to maintaining the status quo (see König and Junge, 2009)<sup>8</sup>. Member governments have spatial policy preferences, so that they will prefer to enter a winning

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<sup>8</sup> For simplicity, the status quo is considered here as the reference point. As a consequence, for all practical purposes, an agreement exactly on the status quo will be equivalent to a non-agreement.

coalition closer to their ideal preference. Governments first consider the possibilities to form preliminarily policy coalitions with like-minded governments. These first alignments result in a *structure of coalitions* in which there will be a dominant policy coalition of a bigger size than the rest. This relation of dominance among coalitions sets the protocol of the bargaining process to form a unique winning coalition. Thus, in a second step, the dominant coalition chooses to bargain a compromise with another policy coalition just large enough so as to complete the votes needed to form the winning coalition. This compromise will constitute the common position of the Council, setting up the range of alternatives that a qualified majority of member governments prefer to the status quo: the *Council's qualified majority winset*,  $W_C^{qmv}$ .

It is important to note that the coalitional bargaining presented here is intended to represent decision-making as a process of “implicit voting”. This means that member governments or its representatives estimate an effective qualified majority coalition in negotiations preceding the final agreement, so that the actual vote may not even take place, and decisions may be even reached at the bureaucratic level of the Council (called “A-Points”)<sup>9</sup>. This is an important descriptive premise of any coalition-formation model which seeks to convert theoretical concepts into realistic applications of what happens in the Council of Ministers<sup>10</sup>.

*The agenda setting stage.* Under the co-decision procedure, the support of the EP is determinant to tip the balance between rival alternatives in the Council and determine the final outcome. Following the modelling approach of Tsebelis and Garrett (2001), I focus only on the final stage of the procedure, involving a bargaining between the “pivotal member” of the Council and the EP in the *Conciliation Committee*. Under this approach, and assuming a

<sup>9</sup> *A-points* (Agreed points) are decisions taken at the level of the Committee of Permanent Representatives (COREPER). *B-points* (non-agreed points) constitute the issues of the agenda that are passed to the Ministers for voting. The vast majority of decisions in the EU are adopted as A-points.

<sup>10</sup> The only formal precedents I can think of introducing a perspective of implicit voting for the EU, without explicitly referring to it, are Bueno de Mesquita's Expected Utility model (1994) and the conflict models of coalition formation proposed by Boekhoorn, Van Deemen and Hosli (2006). The operationalisation of coalitional decision making of these models, however, differs substantially from the one proposed here.

supranational scenario, the EP will be more likely to obtain an outcome near its preferred policy the larger the size of the  $W_C^{qmv}$  is.

The procedural model presented here, however, has a key and consequential difference from Tsebelis' and Garrett's in the identification of the Council's pivotal actor. Tsebelis and Garrett regard this actor as the least forthcoming government of the  $W_C^{qmv}$ , closer to the status quo. In my model, in contrast, the pivotal actor is defined in terms of the preference set that gathers more voting support in the common position of the Council. As a consequence, it is likely to reflect the preferences of powerful states in the  $W_C^{qmv}$  instead of the preferences of the most recalcitrant government, unless this government is also the most powerful one. The rationale for the choice of the pivotal actor as the Council's common position, instead of the less forthcoming government, is that member governments bargain the configuration of the common position of the Council's winning coalition. The terms of this coalitional bargaining establish that powerful governments within the Council's winning coalition will be more difficult to substitute if they choose to leave the coalition than governments with less voting power. It is natural to assume that their weight in the winning coalition will prevail over those governments that would be easier to substitute in the winning coalition.

Given the components of the model just specified, we can state three analytical propositions on legislative outcomes, according to three exhaustive logical scenarios of distribution of preferences of governments in the policy space, assuming always a supranational scenario:

*Proposition 1 Under a homogeneous distribution of preferences of member governments near to the status quo, minimum or nearly minimum winning coalitions are likely to form. Under this scenario, the size of the  $W_C^{qmv}$  will be highly reduced, and the capacity of the EP to modify the common position in the Council will be nearly irrelevant. In equilibrium, outcomes will reflect only very incremental policy change or not change at all.*

Proposition 2 *Under a homogeneous distribution of preferences of member governments far from the status quo, minimum or nearly minimum winning coalitions are likely to form. Under this scenario, the size of the  $W_C^{qmv}$  will be large, and the capacity of the EP to change the common position of the Council will be intermediate. In equilibrium, however, outcomes will reflect pronounced policy change.*

Proposition 3 *Under a heterogeneous distribution of preferences of member governments in the policy space, surplus winning coalitions are likely to form. Under this scenario, the capacity of the EP to modify the common position of the Council will be maximal. In equilibrium, outcomes will reflect moderate policy change.*

It is then clear that the forecasting of the mixed model is very dependent on the preference distribution we are to empirically observe in any given case. As noted, the general pattern studies have found after the enlargement is that of a considerable heterogeneity of preferences. This will also be the case in regard to the preference data we have available for environmental policy. Therefore, we will concentrate on the third proposition, stating moderate levels of policy change in equilibrium. The exposition of the model, however, should allow the reader to deduce how the other possible outcomes come about under the other hypothetical distribution of preferences.

### **1. 1. The coalitional stage of decision-making**

In the first stage of the decision-making process, member governments attempt to agree on a common position from a set of alternatives presented by a Commission's proposal. In order to reach a common position, member governments need to assess how their preferences can be included into a winning coalition.

Constitutional coalition formation: a priori voting power

Coalition formation is first conceived constitutionally. The basic question here is which winning coalitions may form in the Council, given the formal resources of member governments (the votes) and the institutional constraints (the decision rule). Cooperative game theory explores a probabilistic solution to this question, simplifying the decision-making situation in the form of a *voting game* (Felshtal and Machover, 1998; Lane and Maeland, 2000). A voting game is defined by a) a set of more than two voting *actors*; b) two possible subsets or *coalitions* that may form from this set: a winning coalition, and its complement, a losing coalition; c) two possible *outcomes*: winning or losing. The *winning coalition* is assigned the total value of the game, while losing coalitions get nothing. Formally, the expression of a voting game is:

$G = (N, W)$ , where  $N$  is the number of actors and  $W$  stands for the winning coalition.

In its normalised form, the solution of the game is defined by the *Shapley value*, whereby the value of the game is given by a *characteristic function*  $v: 2^N \rightarrow \{0, 1\}$ , so that, given a set of players  $N$ , a subset  $S$  of  $N$  is a coalition. The possible gains are:

$$v(S) = \begin{cases} 1 & \text{if } S \text{ is winning} \\ 0 & \text{otherwise.} \end{cases}$$

A winning coalition large enough to get the value of the game is a *Minimal Winning Coalition* (MWC), that is, a coalition such that the defection of any member makes the coalition no longer winning. Otherwise, the winning coalition is a *Surplus Winning Coalition*.

The constitutional regime of the EU is a *weighted majority system*. There are two rules that specify a winning coalition in this system:

(1) the number of *votes*, ( $\mathbf{w}$ ), allocated to the member states. The weighted system employs quantitative voting, by which states have different voting weights.

(2) the decision rule deciding the *quota*, ( $q$ ), of votes needed to pass a collective decision.

The rule of interest here is qualified majority, a 3/4ths majority. With the quota and the votes, we can model a constitutional regime as follows:  $(q; \mathbf{w}) = [q; w_1, w_2, \dots, w_n]$ . In order for a decision to pass, the aggregation of weighted votes has to be equal or greater than the quota,  $\mathbf{w} \geq q > 0$ . Such aggregation constitutes the winning coalition in the regime. The EU Council, under the Nice treaty, comprises 27 member states after the enlargement. Their votes are weighted in proportion to their population size, ranging from the 29 votes of Germany to the 3 votes of Malta. The quota to reach a decision is 73.9 per cent of the votes. A winning coalition then has to encompass 255 votes out of the total 345 votes. The EU weighted system has the following form:

[255; 29; 29; 29; 29; 29; 27; 27; 14; 13; 12; 12; 12; 12; 12; 12; 10; 10; 10; 10; 7; 7; 7; 7; 7; 4; 4; 4; 4; 4; 4; 3]

This system has the form of a *proper game*, that is, only one contemporary subset of players may form a winning coalition.

In their objective to form a common position, governments are interested in assessing how individual actors can be decisive in the formation of winning coalitions. The measure of individual decisiveness of states is given by their *voting power*<sup>11</sup>. Voting power gives us an expectation of the influence among member states in a voting session. It measures the *a priori* probability that the vote of an actor has in deciding the status of a coalition as winning or losing. I use here the Banzhaf measure of voting power, which is conceived in terms of

<sup>11</sup> The share of votes is not equivalent to the influence over the outcome. It may be the case that no matter how a member state votes, it can never be *decisive* in the formation of a winning coalition. This was, for instance, the case of Luxemburg in the first six-member's European Communities (ECC). The constitution of the ECC gave 4 votes to France, Germany and Italy; two votes to Belgium and the Netherlands, and one vote to Luxemburg. The quota was at 12 votes: [12; 4, 4, 4, 2, 2, 1]. We can see that the MWC were to include a coalition of the three big states,  $\overline{444}$ , or a coalition of two big states and two medium states,  $\overline{4422}$ . Luxemburg was simply not needed to pass a decision despite the fact that it had a right to vote. It had no voting power.

probable combinations of coalitions. The original formulation of the Banzhaf index measures the “absolute power” of actors. The absolute power of an actor takes two forms of *swing* that an actor can make: she can turn a winning coalition into a losing coalition by leaving it, or she can turn a losing coalition into winning by joining it. This dual power indicates the decisiveness of an actor *in relation to the decision of the group*, since her capacity consists of tipping the balance of the collective decision (Felsenthal and Machover, 1998: 40). In this sense, a member government maximises its voting power when it can prompt the group to act. By contrast, a single *swing* would give us an estimate of the actor’ “power to block” a decision, but it is not a form of influence by which she can push through a collective decision she likes<sup>12</sup>. We obtain the absolute power score of an actor, by dividing the number of coalitions in which the actor is critical by the total number of possible coalitions in which she participates. Formally, the expression for the Banzhaf’s absolute power for an actor *i* is:

$$\beta_i = \frac{\eta_i}{2^{n-1}} \quad \text{where, } \eta \text{ is the number of swings}$$

For the explanation of coalition formation, we will use the “normalised Banzhaf Power Index”, which is derivative of the “absolute power” measure: we rescale the measure, so that the sum of the voting power of all actors amounts to 1.00. Thus we obtain an index of relative power of the actor in the constitutional regime, her share of the total power of the regime. Formally,

$$\beta_i = \frac{\eta_i}{\sum_{x \in N} \eta_x}, \quad \text{where } N \text{ is the whole assembly of voters}$$

<sup>12</sup> The relation of the individual voting power and the group decisiveness is confirmed by the equality stating that the absolute power of a an actor corresponds to the product of her doubled blocking power—i.e. the swing for leaving a coalition plus the swing for joining it—and the probability group decisiveness (for proof, see Felsenthal and Machover, 1998: 49; Lane and Maeland, 2000: 38-39)

Consider the following abstract regime, representing a QMV system: [5; 3, 2, 1, 1]. There are 8 possible coalitions. The first member has an absolute power of 5/8; the second member of 3/8; and the last two members of, 1/8. Normalising, we have the following distribution of power: 5/10, 3/10, 1/10, 1/10. The basic idea in this measure of power is that the first actor would be able push the group decision towards the direction she prefers with a probability much greater than the last two actors. Thus, an actor would be influential insofar as she is decisive in the collective decision<sup>13</sup>.

Table 1 shows the constitutional distribution of voting power in the EU-27. We can see that, for a coalition to be winning, it will have to include a great number of member states. Such a high threshold makes the regime very inclusive, requiring extended cooperation. However, the coalitional logic of decision-making remains, since it is always possible to *exclude* some actors from a collective decision (Garcia Perez de Leon, 2009). Accordingly, coalitional behaviour will dictate the direction of the policy towards a given set of preferences and not to others.

#### Policy coalitions in environmental policy: Extended Voting Power

The constitutional distribution of power assumes that all coalitions are equally likely to be formed. Constitutional analysis is most relevant when uncertainty about the policies is great. Yet, in concrete political situations, actors may have some information about how proximate their preferences are. The relevant question then is: which coalitions among governments are more likely to be formed given the policy preferences of governments?

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<sup>13</sup> A more used alternative measure of power is the Shapley-Shubik index. For the EU, it gives us similar measures for the EU that the (normalised) Banzhaf index. Yet, the logic of measurement is different, based on the number of possible permutations in a regime. As Felsenthal and Machover point out (1998: 171ff), it also implies a different motivation of actors towards coalition formation. The Shapley-Shubik Index does not establish the same link between group decisiveness and individual decisiveness. Since it measures power on the basis of possible permutations in a regime, the order in which actors vote matters. Each permutation has only a pivotal actor, who holds a specific of bargaining power by being the one that can seal the outcome of the group. As a consequence, the motivation of an actor in joining a coalition has a distributive meaning.



Table 1 Constitutional voting power in the EU-27 under the Nice Rule

Country	Votes	Bz. Normal
Germany	29	0.078
UK	29	0.078
France	29	0.078
Italy	29	0.078
Spain	27	0.074
Poland	27	0.074
Romania	14	0.043
Netherlands	13	0.040
Greece	12	0.037
Czech R.	12	0.037
Belgium	12	0.037
Hungary	12	0.037
Portugal	12	0.037
Sweden	10	0.031
Austria	10	0.031
Bulgaria	10	0.031
Slovakia	7	0.022
Denmark	7	0.022
Finland	7	0.022
Ireland	7	0.022
Lithuania	7	0.022
Latvia	4	0.013
Slovenia	4	0.013
Estonia	4	0.013
Cyprus	4	0.013
Luxemburg	4	0.013
Malta	3	0.009
Total	345	1.000

Decision Rule: 255 (73.9 % )

Probability of group decisiveness: 0.020<sup>14</sup>

Winning coalitions: 2718774

Coalitions: 134217728

<sup>14</sup> The group decisiveness,  $\sigma$ , is defined as the proportion of winning coalitions, in the total of possible coalitions (Coleman, 1971):

$$\sigma = \frac{d}{2^n}, \text{ where } d \text{ denotes the number of winning coalitions.}$$

For a voting regime to enact decisions, the winning coalition has to include more than half of the votes. The maximum of decisiveness is given when just one actor with all votes can form the winning coalition, such as in a dictatorship or a hierarchical model. Minimal actors' regimes, however, are uninteresting for the analysis of voting. In voting regimes, the maximal boundary of group decisiveness is given by simple majority, where half of the members of the group constitute a winning coalition,  $\sigma = 1/2$ . The minimal boundary obtains with a unanimous regime, with only one possible winning coalition, the coalition of all actors,  $\sigma = 1/2^n$ .

In order to integrate policy preferences into the analysis of coalition formation, we extend the voting game in the form of a *spatial voting game* (see Owen, 1995). We consider the *ideal positions of actors* in one m-dimensional issue-space. The basic idea of the spatial voting game is that the positioning of actors in an issue space modifies the voting power that actors hold constitutionally. An actor has more possibilities to form a winning coalition the closer her ideal position is to other (powerful) actors. By contrast, an actor will reduce her voting power the more distant she is from other actors. A spatial voting game is formally expressed thus:

$G = (N, W \{x_i\})$  where  $W$  is the winning coalition and  $x_i$  is the ideal point of player  $i$ .

One would expect that member governments are likely to form policy coalitions with that other governments whose stances in the issue are proximate to their own. Since actors with more voting weight will be able shift the coalitional position towards their own preference, one would also expect that less powerful actors are preferred as partners. In other words, the coalitional preferences of governments have the form of a Euclidian utility function:

$$U^i x_j = -(x_j - x_i)^2 \frac{v_j}{v_i + v_j} \quad \text{where } x_i \text{ stands, as before, for the ideal point of actor } i, x_j \text{ for the}$$

position of a potential coalitional partner, and  $v$  denotes voting power.

Our first take of the spatial voting game consists of modifying the axiomatisations of the Banzhaf Power Index by taking into account the geometry of ideal points in the policy space (see Bilal and Hosli, 1999; Hosli, 1996; Owen and Grofman, 1984; Pajala and Widgrén, 2004; Van Deemen and Hosli, 2002; Winkler, 1998). The modified power index reveals a “structure of coalitions” (Owen, 1977) identifying groups of states that are expected to vote in the same direction and which, as policy blocs, aggregate a certain amount of voting

power. We thus treat policy blocs or policy coalitions as *voting actors*, and a power index is computed according to the probability of these blocs to form winning coalitions.

The evaluations about proximity of preferences in policy coalitions are conceived in a structural way, that is, before any strategic action is undertaken. In other words, we assess coalition building here from estimates about the initial positioning of actors, but not from the way in which actors are expected to shift their positions in order to realise a winning coalition which favours their preferences. I hence do not consider the policy position that each policy coalition would be expected to hold as a unitary actor, as other authors do (Grofman, 1982). This is because individual actors are to see changed their voting power with any coalitional transformation. Their capacity to influence the position of the coalition will then change accordingly. From a strategic point of view, it only makes sense for individual actors to consider the relative influence within its coalition at the stage of forming a winning coalition. If we were to consider this strategic component from the beginning, the spatial voting game will properly turn into a one-shot game (McKelvey et al. 1978; Schofield, 2008). This will disregard the mechanism by which coherent preliminary coalitions mediate the coalition formation process. As will be specified in the next section, my model preserves this mechanism by considering strategic behaviour of policy coalitions only when a preliminary structure of coalitions has settled.

What are the environmental policy coalitions after the enlargement? In order to devise the structure of coalitions of the spatial voting game for EU environmental policy I will construe a policy space consisting of the average of member governments' and the EP' declared preferences on 23 issues from seven directives negotiated from 2004 to 2009.

Data on the actors' positions is part of a larger dataset configured by Robert Thomson and his collaborators for EU legislative proposals introduced after 2004 (see Arregui and Thomson, 2009)<sup>15</sup>. With this data, Thomson et al. expand the research program of Decision-making in the European Union (DEU). The DEU program collects data on positions, salience and outcomes for 66 legislative proposals and 162 issues introduced by the Commission for

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<sup>15</sup> I thank Robert Thomson for kindly letting me access to these data.

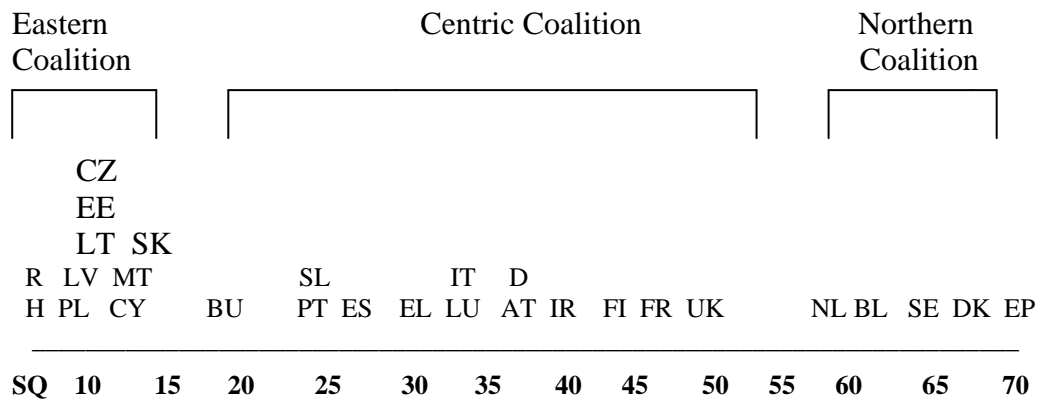
decision between 1999 and 2000, through expert interviews. Thomson et al. have included new data on 53 controversial issues from 17 legislative proposals discussed in the Council after the 2004 Enlargement. In the DEU research design (see Thomson and Stokman, 2006), proposals included in the dataset deal with issues that presented controversy among the decision makers and which aroused public attention (as manifested by their mention in the daily news service *Agence Europe*), so that very technical and routine proposals were excluded from the sample. Experts were asked information about actors' position and the salience they attach to issues after the proposals were issued by the Commission and before the adoption of the legislative act. Yet, the actual outcomes are also included in the data set. This information is presented in issue continua where the SQ is located at the position 0, and the position 100 corresponds to the most distant position in regard to the SQ. In this manner, estimation about the degree of policy change is possible. The more distant outcomes are from the SQ, the more the policy change generated from the legislative process is.

In using this information, my objective here is to obtain a general pattern of the environmental policy. I will thus construe a single issue continuum based on the mean positions of decision-makers in the 23 issues negotiated in the following directives: the Water Framework Directive (2000/60/EC), the Waste Framework Directive (2006/12/EC), the LIFE Plus Directive (EC/614/2007), the Air Quality Directive (2008/50/EC), the Greenhouse Gas Emissions Directive (2008/101/EC) and the Car Emissions Directive (2009/443/EC). Although the sample is too small to adventure statistical analysis, these directives are commonly acknowledged as marking the recent evolution of EU environmental policy. I thus believe that the sample satisfies the purpose of accounting for the general distribution of preferences in this policy area.

Figure 2 shows the average positions of decision-makers in a one-dimensional space<sup>16</sup>. Taking the averages, we can see that no actor was in favour of the SQ in all issues, nor for complete policy change.

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<sup>16</sup> In order maintain coherence with the next procedural stage of the model, I do not include *salience* in the construction of the policy space.



Strongly rejects any further measures

Strongly favours new regulatory measures

**Figure 2 Average positions of decision makers in environmental policy.**

Note: AT: Austria, BL: Belgium, BU: Bulgaria, CZ: Check Republic, CY: Cyprus, D: Germany, DK: Denmark, EE: Estonia, EL: Greece, EP: European Parliament, ES: Spain, FI: Finland, FR: France, , H: Hungary, IT: Italy, LT: Lithuania, LV: Latvia, LU: Luxemburg, MT: Malta, NL: Netherlands, R: Romania, PT: Portugal, SL: Slovenia, SK: Slovakia, SE: Sweden, UK: United Kingdom)

The positional analysis gives us a heterogeneous picture of the environmental cleavage in a supranational scenario in which the EP adopts a mean position around the point 70, at the right extreme of the policy space. In spite of the great heterogeneity of the policy space, we can distinguish a clear structure of coalitions in three groups. These three policy coalitions would, in fact, be formed after three sequential rounds of alliances among actors. Individual actors would first form a policy coalition with the actor who is closest in weighed distance. Then, these policy coalitions will form an alliance with the closest policy coalition, and so on. After the third round, the distance among policy coalitions is too large to allow us to infer any meaningful similarity among actors' policy positions, that is, a similarity strong enough so as to induce actors to vote in the same direction.

As shown in the figure, the coalition structure comprises an *eastern coalition*, a *centric coalition* and a *northern coalition*. The most conservative position in environmental policy is preferred by the *eastern coalition*, integrating all the new member states, except for Slovenia and Bulgaria. A *centric coalition* adopts a moderate position. This coalition presents

a considerable dispersion in comparison to the two other groups. It comprises the old southern and central member states of the EU. It is also noticeable that UK, the traditional “dirty man” of Europe, shows now the most pro-environmental position within this group, confirming reports about the policy developments of the UK in this area in the last decades (Lenschow, 2010). Finally, the *northern coalition* remains, as expected, favourable to introduce most stringent environmental regulatory measures.

With this coalitional structure, we modify the voting weighed system, which now has the following form: [255: 209; 94; 42]. Re-weighting the Banzhaf voting power measures, we can see that the centric coalition and the eastern coalition have both 1/2 of the voting power of in the Council, while the members of the northern coalition have no voting power and are now dummy players (see Table 2).

#### Coalitional bargaining: the formation of the Winning Coalition

As shown in Table 2, neither the centric coalition nor the eastern coalition reaches the necessary quota of 255 votes. They are both “blocking coalitions”. As a consequence, a bargaining among coalitions is needed to resolve the stalemate. Without further legal or behavioural restrictions, the process of forming a winning coalition may present cyclical instability, as policy coalitions may have different viable partners and not settle for a unique compromise (see McKelvey et al, 1978; Schofield, 2008). Although in the empirical case we are considering this eventuality cannot occur, this will certainly be the case if the coalitional structure were defined by many policy coalitions.

Given these cyclical tendencies, a *bargaining protocol* is needed in order to advance a general solution to the spatial voting game. I will define this protocol on the basis of a dominance relation among coalitions. Policy coalitions will have an internal structure that makes them more or less dominant in the strategic process.

Table 2 Modified Voting Power: Coalitional structure

Policy coalitions	Members	Member positions	Member Votes	Bloc votes	Bloc voting power
Northern Coalition	Denmark	65	7	42	0.00
	Sweden	62	10		
	Belgium	58	12		
	Netherlands	57	13		
Centric Coalition	UK	49	29	209	0.50
	France	47	29		
	Finland	44	7		
	Ireland	41	7		
	Germany	39	29		
	Austria	37	10		
	Italy	34	29		
	Luxemburg	34	4		
	Greece	32	12		
	Spain	29	27		
	Slovenia	26	4		
	Portugal	25	12		
	Bulgaria	19	10		
Eastern Coalition	Slovakia	12	7	94	0.50
	Malta	12	3		
	Cyprus	12	4		
	Czech R.	11	12		
	Estonia	11	4		
	Latvia	11	4		
	Lithuania	11	7		
	Poland	11	27		
	Romania	9	14		
	Hungry	8	12		
Total	27		345	345	1.00

I introduce the behavioural assumption that *the policy bloc that needs fewer votes to form a winning coalition will be more stable than the others will in its internal structure and will lead the process of coalition formation*. The naturality of the assumption of dominance by stability becomes clear if we recall that actors are to see their preferences represented in any degree only if they enter a winning coalition. Thus, all actors have an incentive to avoid cycling deadlocks and form a winning coalition. In principle, policy coalitions could switch partner coalitions infinitely. However, they recognise that opportunities to better their

interests will end at some point. Given the configuration of preliminary policy blocs of the structure of coalitions, they will acknowledge that the coalition with more votes (more stable) is closer to form a winning coalition than minority coalitions. Formally, the relation of dominance is defined thus:

Let  $G = (N, W \{x_i\})$ , and let  $S$  and  $T$  be coalitions in  $G$ , and  $i \in N$ . Let  $\Delta W$  denote the closeness in votes to form  $W$ <sup>17</sup>. Then,

1.  $i$  strictly prefers  $S$  to  $T$ , notation  $S \succ_i T$  if

$$i \in S, T \text{ and } \Delta W(S) > \Delta W(T),$$

2.  $i$  is indifferent between  $S$  and  $T$ , notation  $S \approx_i T$  if

$$i \in S, T \text{ and } \Delta W(S) = \Delta W(T)$$

3. It follows that  $S$  dominates  $T$  iff

$$\Delta W(S) > \Delta W(T)$$

This definition is closely related to other definitions stating a relation of dominance between winning coalitions (De Swaan, 1973; Broekhoorn, Van Deemen and Hosli, 2006). However, contrary to these other definitions, this definition states the relation of dominance in terms of the likelihood that different losing coalitions have of becoming winning. In the present model, therefore, the formation of a winning coalition comes only after the dominant, but still losing, coalition bargains with other policy coalitions.

With an asymmetric distribution of votes among coalitions in a proper game, it is probable, although not strictly necessary, that we will find at most one dominant coalition. In the present case, the centric coalition, needing only 46 votes, is in a strategically dominant position with respect to the other coalitions, and will lead the strategic process of forming a winning coalition.

<sup>17</sup> The value of  $\Delta W$  is greater the fewer votes are needed to form the winning coalition ( $W$ ).



Given a dominance structure, I conceive the formation of a winning coalition as derived from a strategic interaction between the *dominant coalition* and *target coalitions*. “Targets” are defined as policy coalitions that may potentially provide sufficient votes to the dominant coalition so as to form a winning coalition. The main objective of the dominant coalition is to pass a policy, so it will attempt to obtain the necessary votes to complete a qualified majority of 255 votes. The coalition will seek to modify as less as possible the preferences of its members. The more power the members of a target coalition have and the more distant from the dominant coalition the members of the target coalition are, the more the target coalition will modify the dominant coalition’s preference set. It should be noted that the dominant coalition needs to target coalitions which are decisive enough to make the coalition win. Given the *characteristic function* of the spatial simple game, until the dominant coalition reaches the sufficient number of votes to form a winning coalition, the power of the target will not have a negative effect on utility of the members of the dominant coalition. However, once the dominant coalition reaches the sufficient number of votes (or, equivalently, 1.00 of voting power) the definition of the actors’ utility function stated above holds: any additional vote would entail a loss of utility for the standing members of the dominant coalition. Thus, the members of the dominant coalition will seek to form a minimal winning coalition that maximises their utility and will bargain with the targets who are closer and just decisive enough, that is, whose members do not hold more votes than necessary<sup>18</sup>.

The empirical case of environmental policy we are examining does not present any problem of interpretation. As we have seen, the northern coalition, with 42 votes, cannot, in any case, complete a winning coalition. In fact, the northern coalition has no voting power as a bloc, that is, it cannot turn a losing coalition into winning. The dominant coalition thus can only target the eastern coalition. With 94 votes, this coalition provides 48 more votes of the 46 needed to complete a winning coalition. Therefore, in this scenario of preference

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<sup>18</sup> From the point of view of the members of the target coalition, decisiveness will be motivationally precedent to policy-closeness at this point of the coalitional process. This is because, following the logic of the Banzhaf index presented above, a government maximises its power to change a policy if it can make the group pass a decision. Even if its preferences are weakly represented within a winning coalition, the government still will obtain more rewards if the group makes a decision that includes this government’s preferences than if it does not.

heterogeneity, the targeting process leads to a *surplus winning coalition* in the Council of 303 votes, with a probability 1.00 to pass a decision (see Table 3).

Once the dominant coalition selects a target, it offers a compromise to the target so as to adopt a unique policy position. The content of this compromise will be consequent upon a process of bargaining among the members of the dominant coalition and those of the target coalition. In particular, the policy position of the winning coalition is defined by the vector consisting of the weighed average of the positions of its members, where the weights are their voting power. Formally:

$$O_S = \frac{\sum_{i \in S} x_i v_i}{\sum_{i \in S} v_i} \quad \text{where } x_i \text{ stands for the ideal point of actor } i, v_i \text{ for her power, and } S \in W$$

In order to compute this bargaining compromise, we need information on the positions of the member governments which are to integrate the winning coalition and on their voting power. The positions of the governments are simply their initial positions. Their voting power, however, needs to be proportional to the contribution they make to the winning coalition. I calculate the member governments' voting power with the *normal swing variation* of the Banzhaf index (Pajala and Widgén, 2004), by weighing a member share of votes in a coalition by the power of the coalition. For instance, the normal swing variation for France (29 votes) is computed as  $29/303 * 1.00 = 0.096$  (see Table 3). In the winning coalition formed by the two policy blocs, all members are decisive, since the leaving of the coalition by any of the blocs will turn the coalition into losing. Yet, it should be noted that the regime have not changed, remaining a weighted voting system with a quota of 73.9 %. As a consequence, not all the member governments will equally affect the coalition if they leave. Intuitively, we may think that actors with more votes will be harder to substitute if they leave. Therefore, the effect that member governments have by leaving will be proportional to the votes to which

they contribute to the coalition. This is the effect captured by the normal swing variation: a member's voting power in a decisive group simply equals its share of votes in the group. As a consequence, this member will see its preferences represented in proportion to this share of votes.

Using the values of the members' voting power of Table 3, the outcome prediction from the bargaining between the dominant coalition and the eastern coalition is a policy position at 28.86 (or, rounding, at 29). This is the *common position* of the Council, and will also analytically identify "the pivotal member" in the  $W_C^{qmv}$ .

**Table 3 Modified Voting Power: Winning Coalition – Qualified Majority**

country	Member positions	Member votes	Member voting power	Bloc voting power	Bloc Position
UK	49	29	0.096	1.00	29
France	47	29	0.096		
Finland	44	7	0.023		
Ireland	41	7	0.023		
Germany	39	29	0.096		
Austria	37	10	0.033		
Italy	34	29	0.096		
Luxemburg	34	4	0.013		
Greece	32	12	0.040		
Spain	29	27	0.089		
Slovenia	26	4	0.013		
Portugal	25	12	0.040		
Bulgaria	19	10	0.033		
Sloavakia	12	7	0.023		
Malta	12	3	0.010		
Cyprus	12	4	0.013		
Czech R.	11	12	0.040		
Estonia	11	4	0.013		
Latvia	11	4	0.013		
Lithuania	11	7	0.023		
Poland	11	27	0.089		
Romania	9	14	0.046		
Hungary	8	12	0.040		
	23	303	1.00	1.00	

### **1.2. Second phase: the intervention of the European Parliament: Agenda-setting**

The second phase of the legislative process considers the inter-institutional strategic dynamics under the co-decision procedure, in which the EP acts as agenda setter. The relevant question now is; how can the EP influence the collective choice of a policy within the  $W_C^{qmv}$ ? The EP has a tradition of being pro-environmentalist (Golub, 1996; Holzinger, 1997; Lieffernik and Andersen, 1997). Such an “integrationist” stand of the supranational institution configures the so-called “supranational scenario” (Tsebelis and Garrett, 2001). To the extent that the EP can exert influence, the outcome would shift towards a relatively more progressive direction.

To analyse the inter-institutional strategies, I will draw on procedural models of EU decision-making which understand the EP influence as derived from its “agenda-setting power” in the legislative process (see especially Tsebelis and Garrett, 2001 and Steunenberg and Selck, 2006). Basically, a model of agenda setting consists of a sequence of moves between two institutions in a legislative environment. The agenda setter has the power to make a *proposal* that the other institution will either *veto* or accept. The formal power of the agenda setter is constrained by the range of policies that can be vetoed by a decision-rule. Under a unanimity rule, agenda-setting power will be minimal, but it will increase under a majority rule. Under the co-decision procedure introduced by Amsterdam Treaty, the EP is a co-legislator. In the final stage of the process, the *Conciliation Committee*, composed by a both Council and Parliament, becomes the agenda setter for all intents and purposes (Tsebelis and Garrett, 2001: 23). The EP has a role of agenda setter in conjunction with the Council. How does the EP’ shared agenda setting translate into legislative influence? Let us examine how the co-decision’s strategic process unfolds (Figure 3).

I represent the co-decision procedure following the model of Tsebelis and Garrett (2001). We differ in the identification of the *pivotal member of the Council*. Tsebelis and Garrett locate the pivot as the actor within the qualified majority who is closer to the SQ. Here, the pivotal actor is identified as the outcome of the common position predicted by the

coalitional bargaining. In the conciliation committee, the final decision will be determined in a bargaining process between the pivotal member of the Council and an absolute majority of members of the EP.

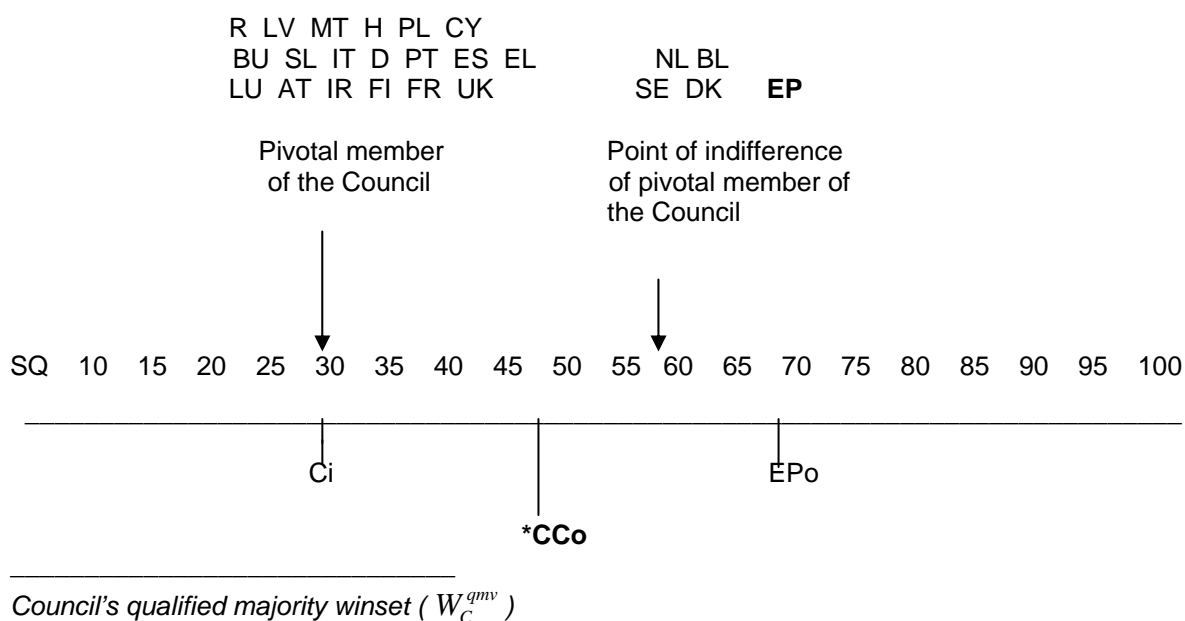


Figure 3 The co-decision procedure

Consider the preference configuration for environmental policy, now introducing the preferences of EP, in Figure 3. In the supranational scenario, the EP has its ideal point, EPo, located to the right of the SQ, and generally, to the right of all the member governments, at the point 67. From the left, the group of governments around the position 29 is the decisive group in the Council and determines the set of policies that a qualified majority of states prefers to the SQ, the  $W_C^{qmv}$ <sup>19</sup>. Position 29 is the ideal point of the pivotal member in the Council, Ci. Since the northern countries prefer more integrationist policies than the decisive group, they do not constrain the set in the direction to the ideal point of the EP. The range of

<sup>19</sup> According to the customary assumption of spatial models, we assume that the *preference sets* of decision makers are equivalent to the points in the interval between the SQ and the points of the decision makers' point of indifference to the SQ, (see Steunenber and Selck, 2006). The  $W_C^{qmv}$  is then represented as the preference set of the decisive actor in the Council, having its boundary to the left at 58.

feasible policies is then bound to the right by the point that makes the pivotal member of the Council indifferent between its preferred policy and the SQ, at 58. Beyond this point, the pivotal member of the Council will not accept a solution. The simplest way to advance a prediction of the outcome of the Conciliation Committee, CCo\*, is to represent it as a “split-the-difference” solution, i.e.  $\frac{CC_i + EP_o}{2}$  (cf. Tsebelis and Garrett, 2001; Laurelle, 1998). In the configuration above, this is the point 48, which will be the final legislative outcome<sup>20</sup>.

Thus, the model predicts that the EP considerably influences the final decision adopted as the environmental EU policy. This policy will favour the introduction of more regulatory measures than the common position adopted in the Council. Yet, note that the capacity of the EP to influence the outcome is strictly dependent on where the Council's common position is located. In the analytical scheme represented here, there is first an inter-coalitional process within the Council that drives a qualified majority towards a determined policy direction. As a result, the influence of the EP is constrained by the set presented in the form of the Council's common position, or more exactly, by the indifference contours of this position. Whether this position is more conservative or, conversely, more progressive, it will always signify a determinant constraint to the strategic choice of the EP. Analytically, the significance of its agenda setting will decrease with the increase of homogeneity of the preferences of member states in the Council. It will increase the more disperse the preferences within the Council are (see Mattila and Lane, 2001; Tsebelis, 2002: 35 and 53). If a homogeneous configuration of preferences is near the SQ, so the compromise adopted by the member governments in the Council would be. In such a scenario, the indifferent point of the pivotal member of the Council will be also close to the SQ, and the EP's capacity to advance more progressive legislation will be almost irrelevant. On the other hand, if the homogenous Council is far from the SQ, the outcome resulting from the bargaining in the conciliation committee would be well inside the boundaries set by the  $W_C^{qmv}$ . In this scenario,

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<sup>20</sup> Note that the EP is constrained by the  $W_C^{qmv}$ . Therefore, if the point  $\frac{CC_i + EP_o}{2}$  does not fall within the  $W_C^{qmv}$ , then the CCo\* will be just at the limit of the  $W_C^{qmv}$ .

the EP may obtain an outcome closer to its preference than in any other scenario. However, this will be the result of the EP being already close to a “supranational” common position of the Council. The EP will be less “decisive” and more “lucky” (see Barry, 1980) than in the heterogeneous scenario. In the case considered here, there is considerable heterogeneity in the distribution of the member governments’ preferences in the  $W_C^{qmv}$ . The final outcome predicted by the model, at 48, is quite close to the limit of the  $W_C^{qmv}$ , and the influence of the EP is appreciable.

How well does the model of coalition formation and agenda setting perform? The actual average outcome for the 23 environmental issues from the DEU database was at point 33 in the policy scale. The model thus offers a good approximation in reference to the average level of policy change in environmental policy. The predicted outcome and the observed outcome both indicate a moderate level of policy change in the area. At a substantive level, this level of policy change is in tone with the mentioned descriptive accounts of Council negotiations pointing to pragmatic adjustments to special interests of the new member states. On the other hand, we have seen that the average position of the EP indicates a preference for the adoption of environmental measures which is not radical. As the prediction of the model indicates, this moderation of the EP contributes to the maintenance of medium levels of policy change<sup>21</sup>. This finding also corresponds to the more conciliatory role of the EP in the process pointed out by observers (see Lenschow, 2010). Basing our evaluation on a general appreciation of the empirical context, we can conclude that the dynamics of coalition formation and agenda setting in the legislative process offer a good explanation of the continuous rate of adoption of environmental laws in the EU and of the direction of policy change that the EU is currently taking in this area.

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<sup>21</sup> Had the average ideal point of the EP been located at an extreme pro-environmental position, at point 100, then predicted outcome by the model would indicate a sensibly larger level of policy change, at point 58.

## Conclusion

This study has investigated why the EU legislative process in environmental policy has successfully adapted to the troublesome increase of preference heterogeneity generated by the enlargement to Eastern Europe. This adaptation is not only patent in the continuing pace of adopted legislation but also in a series of directives that conciliate the disparate demands of old and new member states.

The main contention of this study is that this decisional flexibility is indeed normal and can be explained by the coalitional dynamics in the Council of Ministers and the agenda setting of a supranational Parliament under co-decision. The co-decision model presented here posits a mechanism in which policy coalitions in the Council strive to form a winning coalition, which is to submit a unique common position to the EP for further negotiation in the conciliation committee. Under the heterogeneous distribution of preferences characterising the enlargement context, policy coalitions in the Council are likely to be large and internally dispersed. Without any policy coalition being able to determinatively impose its preference, the bargaining to form a qualified majority will involve a large number of actors in a surplus winning coalition. Accordingly, the compromise adopted by the group as a common position will need to accommodate a large number of different preferences. Such an accommodation of preferences will appease the tendency of some governments to seek minimal policy change, leading to a first node towards legislative adjustment. Although the level of policy change set by the Council's common position may still be quite reduced, further adjustment will be reinforced by the formal intervention of the EP in the conciliation committee. The analysis here predicts that the negotiations between a surplus winning coalition and a supranational EP in the conciliation committee are likely to drive the final legislative outcome towards medium levels of policy change.

The empirical case of environmental policy examined here confirms the expectations of the theory. The application of the model to information on the positions of decision makers in environmental policy suggests that legislative adaptation has been successful because old central and southern states, which maintain a centric position in the policy space and which



hold most of the voting power in the Council, have been able to offer opportunities for compromise to the more environmentally conservative Eastern countries. On the other hand, the EP appears now to be less radical in its environmental stances than in previous periods of the EU history, hence tempering possibilities for more significant change in environmental regulation. Overall, both coalition formation and agenda setting contribute to explain the absence of paralysis in EU environmental policy after the enlargement. Yet, the analysis also shows that, as long as preference heterogeneity prevails, we should expect relatively moderate levels of policy change in environmental policy.

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