

# Why Can Weak States Prevent Accession to International Institutions?

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## **Abstract**

Why have major powers chosen to implement unanimity voting to decide on accession in many international institutions, even though it allows weak states to blackmail the powerful into providing costly side payments? We argue that unanimity voting can profit major powers by creating uncertainty as to the minimal level of reform that enables accession. Specifically, our formal analysis of accession negotiations shows that if accession is valuable enough and the applicant is uncertain as to the resolve of weak member states, the applicant plays safe by implementing ambitious reforms that ultimately improve the efficacy of the international institution. Empirically, these predictions are consistent with the widening of such international institutions as the World Trade Organization, the European Union, the North Atlantic Treaty Organization, and major free trade associations.

# 1 Introduction

The development of an international order is a classical problem in international relations.<sup>1</sup> Over the past century, major powers have increasingly relied on international institutions to rule the world. Even genuine superpowers such as the United States have voluntarily accepted institutional constraints on the use of power to deal with uncertainties and to advance their long-term strategic interests.<sup>2</sup> By giving weak states some say over international cooperation, major powers can enhance the legitimacy of their rule and avoid incurring the high cost of coercion. The United States has enormously benefited from governing the international economic order through the International Monetary Fund and the World Bank, while Germany and France have realized immense gains from the pacifying and integrative effect of the European Union (EU).

The conventional wisdom on ruling the world through international institutions has emphasized the balance between too many and too few constraints on raw power. Major powers have only accepted binding constraints on their rule over minor issues that were not essential for national security and other foreign policy priorities. For example, the United States has reserved the right to override the formal rules of the International Monetary Fund when essential strategic interests are at play.<sup>3</sup> Similarly, major powers have simply shifted the locus of international governance if they have failed to promote their interests in the multilateral trade regime.<sup>4</sup> As Zamora (1980, 603) argues, international institutions simply cannot function without “adequate representation (voting power) or safeguards (such as veto power) for major interest groups and/or individually powerful members.”

Given the conventional wisdom, it is surprising that major powers have given weak states substantial authority over *accession decisions*. As the following examples readily illustrate, the costs have often been exceptionally high. In December 1984, the Greek government successfully conditioned the accession of Spain and Portugal to the EU on the implementation of the Integrated Mediterranean Funds, a program to provide funds for poor Mediterranean regions.<sup>5</sup> Previously, the Commission and the Greek government had unsuccessfully lobbied EU Council for almost five years. The program allocated 4.5 billion ECU over a period of seven years, and it was

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<sup>1</sup>Ikenberry (2000).

<sup>2</sup>Gruber (2000); Ikenberry (2000); Voeten (2001); Lake (1996); Stone (2008b).

<sup>3</sup>Stone (2008a).

<sup>4</sup>Steinberg (2002).

<sup>5</sup>Nicholson and East (1987); Smyrl (1998); Schneider (2009a,b).

mainly financed by those member states that were already net contributors to the budget and had vital interests to promote political stability in Spain and Portugal.<sup>6</sup> For these young and fragile democracies, EU membership was deemed imperative to prevent backtracking to autocratic rule.

Costly side payments were not feasible when Georgia threatened to veto Russia's accession to the World Trade Organization (WTO) in 2006.<sup>7</sup> By that time, Russia had negotiated over accession for twelve years and conclude bilateral negotiations with all other member states, including the United States and the EU. By August 2008, Russia and Georgia had declared war to each other. After the war, Prime Minister Putin announced that Russia was to abandon the reforms it had made during the accession negotiations, stating that "[w]e don't see or feel advantages from the membership, if they exist at all, but we are carrying the burden."<sup>8</sup> Since then, Russia has reversed many of the essential economic reforms implemented in preparation for WTO membership and even formed a customs union with Kazakhstan and Belarus.<sup>9</sup>

In the first case, a weak state used unanimity voting over accession to extract enormously costly policy concessions from a major power. In the second case, a weak state prevented the accession of a state against the strategic interests of two major powers. In neither case did the pivotal major powers choose to insist on hegemonic privilege and impose their will on weak states. Why did major powers tolerate blackmail and obstruction despite the exceptional salience of the issue at hand? Why have major powers chosen the unanimity rule in many international institutions in the first place? Surprisingly, most international institutions dealing with highly salient issues such as trade (EU, WTO) or security (NATO, Western European Union) grant weak states the right to veto accession.

Given the profound importance of accession rules, previous research cannot explain these institutional designs and outcomes. Unlike most routine decisions, accession has permanent consequences for the efficacy and distributional biases of an international institution. By admitting a new member, the current members change the nature of institutionalized bargaining.<sup>10</sup> The accession of new members to the EU has united Europe and endowed fragile democracies and transitional market economies in the

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<sup>6</sup>Council Regulation 2088/85.

<sup>7</sup>*BBC News* November 21, 2006: "Georgia Threatens Russia WTO Veto."

<sup>8</sup>*New York Times* August 25, 2008: "Putin Casts Doubt on Russia's WTO Accession."

<sup>9</sup>*Wall Street Journal* June 10, 2009: "Russia Changes Its WTO Strategy."

<sup>10</sup>Alesina, Angeloni, and Etro (2005); Downs, Rocke, and Barsoom (1998).

South and the East with credibility that is otherwise unimaginable.<sup>11</sup> The accession of China to the WTO has brought the largest developing country, set to dominate the world economy after decades of exceptional growth rates, to the liberal international order. If previous research tells us anything about strategic restraint, it is that major powers do not exercise it in such exceptional issues.

In this article, we develop an informational theory of accession to international institutions. Our formal model shows that major powers often benefit from giving weak states additional bargaining power, because they can thus induce the membership candidate to implement ambitious reforms that improve the efficacy of the international institution. Our theory is informational because the reason why the major power benefits from giving weak states a veto over accession is that it can collect *informational rents* from the membership candidate. If the membership candidate is desperate to secure accession, but also uncertain as to the minimal acceptable reform, it plays safe by implementing excessive reforms. These informational rents have beneficial implications for the current members of the international institution. Ambitious reforms diminish distributional conflict between old and new member states, improving decision making and enabling deeper cooperation in the future.

Our theoretical analysis reveals the conditions under which major powers can gain from unanimous accession rules. First, the membership candidate must be uncertain as to the minimal reform that the *weak state* is willing to accept. Since the major power can use side payments, an additional constraint *per se* is not helpful. Yet under uncertainty, the major power and the weak state can extract informational rents from the membership candidate using the unanimity rule. Second, the membership candidate must greatly benefit from accession. Our comparative statics show that the unanimity rule increases beneficial reform only if the payoff from accession relative to the *status quo* is high enough. In our view, these conditions are plausible for many of the most important international institutions.

Although our theory is fully consistent with previous research, it has several new features worth emphasizing. Most importantly, we show that both major powers and weak states stand to gain from institutional constraints on hegemonic privilege. So far, scholars have assumed that major powers accept binding constraints as a necessary evil to secure voluntary participation by weak states. Our analysis demonstrates that this strong and precarious assumption is not necessary to explain unanimity voting over ac-

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<sup>11</sup>Gray (2009); Mansfield and Pevehouse (2006).

cession. One implication of our main result is that under certain empirically identifiable conditions, there is no cost to increasing voluntary participation by surrendering decision-making power to weak states, as all current members of an international institution benefit from the informational rents that they collect from the membership candidate.

The article proceeds as follows. First, we review the relevant literature and empirical record. Second, we provide an intuitive summary of our argument and investigate the Eastern enlargement of the EU. Our case study shows how uncertainty about the necessary level of reforms induced a race towards reforms, even though many of them were highly contested on the domestic level. Third, we present and solve the model. Fourth, we summarize the empirical implications and discuss the distinctive theoretical features of our result. Finally, we offer concluding remarks.

## 2 The Puzzle

The choice of accession rules is integral to the “rational design of international institutions”.<sup>12</sup> If an international institution admits new members, the foundational rules of cooperation for the long term are bound to change. On one hand, new members can increase or decrease the total surplus available, thereby creating opportunities for major powers to reap benefits from deeper cooperation and expand the scope of international governance.<sup>13</sup> On the other hand, new members can aggravate the negative consequences of preference heterogeneity, such as imperfect enforcement and ineffective decision making.<sup>14</sup>

Such problems can be profound if new members overhaul the nature of coalition formation within the international institution. After Spain and Portugal joined the EU, they colluded with Greece to transform the system of income transfers between member states.<sup>15</sup> Before the Mediterranean enlargement, redistribution had mainly benefited the major powers, as France and Germany captured a large proportion of the EU budget through transfers associated with the Common Agricultural Policies. However, the Mediterranean coalition changed the ratio of funds allocated to the Common Agricultural Policies to Cohesion Policies, so that each category

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<sup>12</sup>Koremenos, Lipson, and Snidal (2001).

<sup>13</sup>Ikenberry (2000); Kahler (1992); Stone (2008*b*).

<sup>14</sup>Alesina, Angeloni, and Etro (2005); Fearon (1998); Koremenos, Lipson, and Snidal (2001).

<sup>15</sup>Brennan (2006); Moravcsik (1991, 1998).

was given an equal share of the budget.

Following Buchanan and Tullock (1962), major powers thus appear to have particularly strong incentives to resist binding constraints on the accession decision. Yet major powers have adopted the unanimity rule in many of the most important international institutions. Table 1 shows that although there is considerable variation in accession rules across international institutions, the most influential of them usually use the unanimity rule. While unanimity rules do shield major powers against coalitions of weak states, they also leave major powers vulnerable to costly vetoes by weak member states.

[TABLE 1 ABOUT HERE]

Of course, weak states have good reasons to demand voting rights over accession decisions. If a weak state has secured a relatively solid position in an international institution, it has ample reason to fear that new members could degrade its bargaining power. While major powers can always draw bargaining power from their outside options, weak states must compete with new members for influence. At worst, a weak state could be completely sidelined because new members are willing and able to form coalitions with major powers.

However, this argument cannot really explain why major powers should concede on the accession decision. It is among the most important decisions for any international institution, so major powers have a particularly strong incentive to insist on hegemonic privilege. In addition, whereas powerful states can opt for unilateral or minilateral outside options in such instances as the deepening of international cooperation, these options are simply not available to expand the membership of an international institution.

Major powers could try to solve the problem by providing side payments, as Germany and France did to coax Greece to admit Spain and Portugal. However, such blackmailing carries a high cost. According to Schneider (2009b), Greece is but one example of a recurrent pattern of blackmail in European politics. In the EU, enlargement generally gives weak states exceptional bargaining powers vis-à-vis major powers. If weak states expect that enlargement leads to distributional conflict, they threaten to delay enlargement unless they are fully compensated for their losses.

While these side payments are sometimes a minor nuisance, high costs or accession failure are surprisingly common. In the introduction, we have already detailed the massive cost of unanimity voting in the Mediterranean

enlargement of the EU and the Russian accession to the WTO. Along similar lines, in 2001 Mexico delayed China's accession to the WTO by over a year although both the United States and the EU had already given their full support of Chinese membership. With these strategies, the Mexican government tried to change China's attitude toward Mexico's request for a transitional period for the anti-dumping rules it had imposed against Chinese products that were all illegal under WTO law. Mexico's bargaining tactics therefore delayed the opening of the Chinese markets to its main trading partners.

To address this anomaly, the extant literature emphasizes that weak states are unwilling to join international institutions unless they have some voice over important decisions. Notably, this explanation depends crucially on the assumption that weak states have credible exit options. While this could be true for some international institutions, it appears somewhat implausible for many of the most important ones. Do developing countries really have credible alternatives to joining the multilateral trade regime and regional trade agreements to improve economic performance?<sup>16</sup> Experiments with import-substitution strategies have consistently failed and forced developing countries to cope with recurrent crises at an extraordinary cost. Can transitional democracies in Southern or Eastern Europe really afford to eschew European enlargement?<sup>17</sup> Can the small neighbors of Russia credibly defend their borders and interests against Russia without joining NATO?<sup>18</sup> If major powers understand that weak states are desperate to join an important international institution, they should also understand that minor concessions over routine decisions are enough to secure voluntary participation and the requisite level of legitimacy.<sup>19</sup>

It is therefore not clear that previous research can really explain the use of unanimity voting on accession. So far, scholars have treated side payments as a necessary evil that major powers must accept to avoid the horrors of majority voting.<sup>20</sup> As the total inability of the United Nations General Assembly to exert any influence shows, this logic is sound. But previous research cannot explain why major powers could not demand that only they can really block accession. Our contribution is to demonstrate that in many circumstances, both major powers and weak states benefit from unanimous

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<sup>16</sup>Mattli (1999); Milner (1999); Milner and Kubota (2005); Shadlen (2008).

<sup>17</sup>Mansfield and Pevehouse (2006); Mattli and Plümpfer (2004).

<sup>18</sup>Schimmelfennig (2003).

<sup>19</sup>Ikenberry (2000); Stone (2008*b*).

<sup>20</sup>See, for example, Moravcsik (1991, 1998); Carrubba (1997); Steinberg (2002); Moravcsik and Vachudova (2003); Brennan (2006); Slapin (2008).

accession rules in expectation, so there is no tradeoff at all.

### 3 The Argument

We present an informational theory of unanimous accession rules. If a country seeks accession to an international institution, it must bargain with the current members over the terms of entry. By giving weak states authority over the accession decision, a major power can credibly commit to rejecting the membership application unless it obtains enough gains to outweigh the cost of giving side payments to the weak state. If the membership candidate greatly values accession, and the probability of accession without reforms and concessions that the current members demand is low, the membership candidate plays safe by implementing exceedingly ambitious reforms that benefit both powerful and weak states. Under uncertainty about the requisite level of reform, the members of the international institution collect informational rents from the membership applicant. By contrast, we show that unanimity voting never benefits the major power under complete information. The intuition is that since side payments are allowed, additional “veto players” leave the net surplus from accession to the major power unchanged.

Our theory is built on three main premises. First, we assume accession is often highly valuable to the membership candidate. Since international institutions determine who can engage in institutionalized cooperation with other countries, it is usually better to be inside than outside. For states that are fundamentally dependent on international exchange or suffer from poor economic performance, accession to international institutions is particularly vital.<sup>21</sup> As Gruber (2000) shows, the mere existence of an international institution can reduce the value of the *status quo* to those states that are left outside.

Empirical examples are not difficult to find. Mattli (1999) conducts a historical survey of regional integration and shows that countries have sought accession to international economic institutions when they have perceived a salient performance gap that is unfavorable to them. In these circumstances, accession is deemed imperative to improve economic performance. For instance, our case study below shows that EU membership has been a top foreign policy goal for most countries in Central and Eastern Europe.<sup>22</sup>

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<sup>21</sup>Mattli (1999).

<sup>22</sup>Maniokas (2000).

Similarly, almost all countries in the world have joined the WTO. Many developing countries have accepted conditions imposed by the EU and the United States in exchange for forming a preferential trading agreement to secure market access and reap many other benefits of international trade cooperation.<sup>23</sup>

Second, we assume that the current members of an international institution benefit from accession the most if the membership candidate implements various political and economic reforms. As international cooperation theorists emphasize, the efficacy of an international institution depends on the ability of the member states to credibly commit to mutually profitable policies.<sup>24</sup> This ability depends in turn on the presence of domestic institutions that constrain the executive and suppress special interests that resist international cooperation. Thus, current members are only willing to admit new members if they have undergone transformations that permit a credible commitment to playing by rules that benefit the current members. If the current members admit countries that free ride or obstruct decision making, the value of cooperation decreases. At worst, the international institution could even collapse.

While this assumption might not apply to international institutions that are narrowly technical, it is fundamental to many of the most important ones. The EU only accepts new members if they meet the 1993 Copenhagen criteria that prescribe intensive democratization and transition towards a market economy. The WTO imposes liberalization requirements for accession to ensure that new members contribute positively to mutually profitable international exchange. NATO requires that new members improve military performance and institutionalize civilian oversight and control.

The third issue that we emphasize is uncertainty. While previous research has spilled much ink on the “Schelling conjecture,” or the use of exogenous constraints to create bargaining power, this argument is invalid when side payments are possible.<sup>25</sup> If a major power can bribe a weak state, an exogenous constraint *per se* does not increase the net payoff from accession, as we formally prove below. But if the membership candidate is uncertain as to the possibility of accession, informational rents are available to current members. If the major power can create this uncertainty by giving weak states authority over accession, it can induce the membership

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<sup>23</sup>Bechtel and Tosun (2009); Buthe and Milner (2008); Shadlen (2008).

<sup>24</sup>Alesina, Angeloni, and Etro (2005); Downs, Rocke, and Barsoom (1998).

<sup>25</sup>Milner (1997); Putnam (1988).

candidate to implement ambitious reforms that greatly improve the efficacy of the international institution.

We believe this assumption regarding uncertainty is plausible. In any international institution, different member states have different preferences and private information about the costs and benefits of accession. As the number of member states that can veto accession increases, the probability that a membership candidate is able to accede without stellar performance decreases. In contrast, we believe the probability that ideal candidates can accede should not decrease. If an ideal membership candidate seeks accession, the gains to current member states are substantial, so they are able to strike an internal bargain so as not to forgo a lucrative opportunity to enlarge.

#### **4 EU Eastern Enlargement, Uncertainty, and the Race to Reforms**

We now examine the enlargement of the EU to twelve Central and Eastern European (CEE) countries. The accession negotiations illustrate how uncertainty about the requisite level of reform induced a race, as applicants chose high level of reforms and accepted discriminatory membership rights in several issue areas, despite high domestic political costs. These reforms benefited the current member states. Indeed, the case is particularly interesting because the European Union experimented with two different approaches. Whereas the initial “differentiation principle” diminished reform efforts in the candidate countries, the “Regatta principle” dramatically increased reform efforts. Consistent with our theory, the main reason was that the differentiation approach created uncertainty about accession *regardless of reform* while the regatta approach created uncertainty about accession *without full reform*.

Eastern enlargement was the most contentious of the six enlargement rounds. Whereas accession was a top priority for most membership candidates, only Britain, Denmark, and Sweden supported inclusive membership negotiations with all associated CEE states.<sup>26</sup> Germany, Finland, and Austria favored limiting negotiations to the Central European states. Many others, especially those that were economically and politically weak, made

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<sup>26</sup>Baldwin, Francois, and Portes (1997); Maniokas (2000); Moravcsik and Vachudova (2003); Vassiliou (2007). Schimmelfennig (2001, 2003) provides a concise summary of the literature on the benefits and costs of EU Eastern enlargement.

objections to inclusive expansion. Comprising Italy, France, Greece, and Ireland, this coalition did not expect substantial gains from economic integration and worried that inclusive enlargement could turn them into net contributors to the EU budget.

The Copenhagen criteria adopted in 1993 formed the basis for accession. In Copenhagen, the member states agreed that “the associate member states from Central and Eastern Europe, if they so wish, will become members of the EU”.<sup>27</sup> However, they required that membership candidates provide (i) stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; (ii) a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; and (iii) acceptance of the *acquis communautaire*, the total body of EU law. From the beginning, the EU made clear that enlargement would be an inclusive and ongoing process with multiple stages. Most importantly, each candidate was to proceed at its own pace, depending on its preparedness. The first step was the formation of “association agreements” that gave candidates preferential access to the common market. Subsequently, candidates fulfilling the first two Copenhagen criteria could initiate accession negotiations.

Whereas the Copenhagen criteria might appear straightforward, they actually introduced a great degree of uncertainty. First, ideas about the scope and nature of the first two conditions were abstract and interpreted differently by the member states.<sup>28</sup> EU officials claimed “to know what was acceptable or unacceptable when they saw it”.<sup>29</sup> Even though the Commission led the negotiations, all member states had to agree that a membership candidate was ready to begin accession negotiations. Such consensus was difficult to achieve given disagreement and ambivalence among current member states.

Second, even if accession negotiations were opened, the implementation of the *acquis communautaire* required that all member states agree on all 31 chapters of the common *acquis*. Currently, the *acquis* has over 30,000 legal acts and is an estimated 100,000 to 160,000 pages long. During earlier enlargement rounds, the EU left room for transitional periods to facilitate adjustment.<sup>30</sup> Such adjustment was still possible, yet many member states were reluctant to allow accession in the absence of a fully credible commitment to reform. In addition, the EU refused to provide an

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<sup>27</sup> *European Council of Copenhagen*, 21-22 June 1993: “Conclusions of the Presidency.”

<sup>28</sup> Maniokas (2000).

<sup>29</sup> Jacoby (2004, 7).

<sup>30</sup> Nicholson and East (1987); Avery (1994, 2004).

official timetable for enlargement. This gave rapid countries a tremendous advantage.

Finally, Germany and France refused to provide the side payments necessary to coax the poor member states. To the contrary, the 1997 International Governmental Conference set a definite ceiling on the budget, signaling that although Germany supported enlargement, it did not have overriding strategic interests that necessitated the use side payments to secure accession upon partial reform. This was particularly important given the negative public opinion towards enlargement in Germany.<sup>31</sup> As a result, membership candidates understood that ambitious reform secured accession with high probability while partial reform could lead to failure.

Given the uncertainty surrounding the fate of a membership candidate failing to undergo full reform, many accepted exceptionally demanding reforms early in the enlargement process. These countries implemented “shock therapy” reforms to accelerate the process. For example, although Germany supported Poland’s accession to the EU, the current recipients of large agricultural subsidies expressed grave concern about the effect of Polish accession without major reforms in her agricultural sector.<sup>32</sup> As our theory predicts, Poland implemented radical reforms that were domestically highly contentious.<sup>33</sup>

In addition, many countries responded to specific demands by individual member states. Economically, Slovenia had been one of the most advanced candidate states in the enlargement process.<sup>34</sup> Already in early 1990s, the negotiations over an association agreement stalled due to a dispute with Italy over expropriated Italian property in the border area.<sup>35</sup> Although Italy had signed an international treaty to abstain from any demands, it demanded the return of the property in 1994. After Slovenia refused to budge, Italy vetoed negotiations on the association agreement arguing that Slovenian legislation on the purchase of land by foreigners was not in line with EU law. Other members did not pressure Italy into accepting

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<sup>31</sup>In fact, together with France, Austria, and Belgium, Germany had the lowest public support levels (Eurobarometer 1998, 1999).

<sup>32</sup>*European Commission* 2000: “Report on Poland”; *European Agriculture* 24 July 1998: “Spanish Pre-Accession Model Best for Polish Farmers”; *EurActiv* 30 October 2000: “Impact of Enlargement on CAP Reform”.

<sup>33</sup>Wilkin (2001); *Polish Press Agency* 22 April 1998: “Poland Begins Screening Talks on Farming”; *PAP News Wire* 17 September 1998: “Right Wing Wants Immediate Referendum on EU Accession”; *Polish News Bulletin* 25 March 1998: “EU Teleconference on Agriculture”; *Polish News Bulletin* 20 March 1998: “Sejm Discusses European Integration”.

<sup>34</sup>*European Commission* 1997: “Opinion on Slovenia’s Application.”

<sup>35</sup>*European Stability Initiative* October 25, 2009: “Slovenia’s Road to the EU.”

the association agreement, even though no other applicant had to accept similar demands. Finally, Slovenia gave in and signed an agreement to allow foreigners from other EU countries to buy land in Slovenia. Association negotiations were concluded 1996. This was over four years after the negotiations with the Czech Republic, Hungary, and Poland; and more than three years after Bulgaria and Romania.

Uncertainty about the necessary degree of reform thus gave a powerful boost to efforts. In contrast, and consistent with our theory, uncertainty about the probability of accession despite ambitious reform had the opposite effect. In 1997, the Council of Luxembourg tried to intensify the reform efforts of the candidate states. The EU was to begin accession negotiations only with the Luxembourg Group (Cyprus, Hungary, Poland, Estonia, the Czech Republic, Slovenia) – while the Helsinki Group (Romania, Slovakia, Latvia, Lithuania, Bulgaria) would have to wait.<sup>36</sup> The idea was to differentiate between countries based on their readiness to fulfill the criteria and to increase reform efforts by those who were falling behind.

This strategy of differentiation slowed rather than accelerated reform efforts for countries outside the Luxembourg Group, as the differentiation approach raised fears that even full reform could be insufficient. The Copenhagen criteria stated that membership was only possible as long as the EU could absorb new members, and it was not clear how many of the applicant states could be absorbed by the EU. Additionally, whereas the EU set a timetable for the Luxembourg Group, it refused to announce any specific dates for the commencement of negotiations for the Helsinki Group until the end of 1999. Indeed, empirical scholarship has demonstrated that there was a significant decrease in reform efforts in the Helsinki Group.<sup>37</sup>

The negative effects of differentiation led the 1999 Council of Helsinki to abandon this strategy. As Poul Skytte Christoffersen, a key EU negotiator said, “Leaving somebody behind—awaiting another ‘wave’ in an uncertain future—could take away the pressure for reform and modernisation in the countries left on the shore.”<sup>38</sup> The EU decided to begin accession negotiations with the Helsinki Group in 2000.<sup>39</sup> The “second wave” was given a chance to accede, exactly as the “first wave” had a chance to accede previously. The approach was dubbed “Regatta” because it gave the remaining

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<sup>36</sup> *European Council in Luxembourg*, 12-13 December 1997: “Conclusions of the Presidency.”

<sup>37</sup> Maniokas (2000); Glenn (2004); Mattli and Plümpfer (2004); Plümpfer, Schneider, and Troeger (2006).

<sup>38</sup> Christoffersen (2007, 32).

<sup>39</sup> *European Council in Helsinki*, 10-11 December 1999: “Conclusions of the Presidency.”

countries an equal opportunity without a corresponding commitment to simultaneous accession.<sup>40</sup>

This decision spurred the reform process, especially in countries that had just started negotiations. Lithuania successfully closed negotiations on over 28 chapters after only two years of negotiations. It thereby passed former frontrunners of the first wave and found itself at the top of the accession list.<sup>41</sup> To increase the chances of early accession, candidates accepted shorter transition periods for the implementation of the *acquis* and longer transition periods for current members. In other words, they expedited reform while accepting limited membership rights.

For instance, Poland had requested an 18-year ban on land sales to EU citizens. The issue was highly salient on the domestic level, as the public was afraid of an influx of rich Europeans, particularly Germans. Fearing “recolonization,” almost three quarters of Poles supported the ban even if it slowed down the accession negotiations. Due to fears of what some politicians referred to as “recolonisation”, almost three quarters of Poles supported a 18-year ban on land-sales to EU citizens, even if it would slow down Polish entry into the EU.<sup>42</sup> The EU refused, so the Polish government decided to accept a five-year transition period and a twelve-year transition period for agricultural land and forests. At the same time, it accepted a phasing-in of agricultural subsidies over a period of ten years.<sup>43</sup>

## 5 The Model

We consider a simple game of accession to an international institution. A *major power* and a *minor power* have formed an international institution, anticipating that a *candidate* will submit a membership application in the future. The major power is in a dominant position, so it can choose the decision rules for international accession. We suppose this choice is binary, so that the major power can either retain all authority over accession or give the minor power a veto. We also allow costly side payments between the major power and the minor power, such as foreign aid.

The game begins as the major power and the minor power establish an international institution at time  $t = 0$ . For simplicity, we omit a characteri-

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<sup>40</sup>Vassiliou (2007).

<sup>41</sup>Plümper, Schneider, and Troeger (2006).

<sup>42</sup>*EurActiv* 30 October 2001: “Poland sticks to land sale ban”; BBC News 26 November 2001: “Insults fly in Polish land sale row.”

<sup>43</sup>*European Union* 2003: “Treaty of Accession to the European Union.”

zation of substantive decision rules, so that we only need to examine the accession rule. This rule is either “unilateral” or “bilateral.” Under the unilateral rule, the major power accepts or rejects a membership candidate. Under the bilateral rule, both countries must accept a membership candidate for accession. For example, the unilateral rule could combine majority voting with a veto for the major power. Similarly, the bilateral rule could be interpreted as unanimity voting.

The decision rule is chosen under uncertainty about the state of the world  $\omega$ . It is “strategic times”  $\alpha$  with probability  $\rho$  and “ordinary times”  $\beta$  with the complementary probability  $1 - \rho$ . The state of the world is simultaneously revealed to all players only after the major power has chosen the decision rule. In strategic times, the major power has an overriding strategic interest in accession. In ordinary times, the major power prefers accession if and only if the member candidate has undergone political and economic reforms. This distinction captures the notion that major powers apply double standards in foreign policy. If a country is strategically important, such as Israel or Egypt for the United States, it can often rely on major power support without implementing costly reforms.

After the state of the world has been revealed, the candidate selects a level of reform  $\theta \in [0, \infty)$ . We assume the candidate has no intrinsic interest in reform. The cost of reform is  $c(\theta)$ , where  $c$  is an increasing and strictly convex function for which the Inada conditions hold. This assumption is innocuous. If the candidate benefits from reform, one can say that the candidate has already chosen the intrinsically optimal level of reform normalized to zero. The expected payoff to the membership candidate is

$$u_{cand} = \lambda(\theta) \cdot B - c(\theta), \quad (1)$$

where  $\lambda = \lambda(\theta)$  is the probability of successful accession given reform  $\theta$  and  $B > 0$  is the net payoff from accession relative to *status quo*. Since the candidate has no intrinsic interest in reform, it prefers to secure accession at lowest possible reform.

After the candidate has chosen a level of reform, it automatically submits a membership application. The major power reviews the membership application and decides whether to support it or not. If the major power does not support membership, there is no accession and the game ends. Under the unilateral rule, the game also ends if the major power supports accession, so that the candidate joins the international institution.

Under the bilateral rule, the major power offers a side payment  $t \in (-\infty, \infty)$  to the minor power in exchange for supporting the membership

application. The major power can set the agenda of the accession negotiations, so it also initiates the negotiations on a side payment to the minor power. For generality, the side payment can be negative, so that the major power could demand concessions from the minor power. The minor power accepts or rejects the offer. If it accepts, there is accession and the minor power receives the side payment. If it rejects, there is no accession or a side payment.

In strategic times, the payoff from accession to the major power is  $Y$ , where  $Y$  obtains a high enough value. For strategic reasons, the major power prefers accession even in the absence of any reform. In ordinary times, the payoff from accession to the major power is  $\theta - 1$ , so that the major power prefers to maximize reform but is willing to support accession as long as  $\theta \geq 1$ . The substantive assumption here is that the international institution produces benefits to the major power, and these benefits increase if new members implement reforms that allow greater cooperation.<sup>44</sup>

Regardless of the state of the world, the payoff from accession to the minor power is  $\theta - X$ , so  $X$  is the lowest reform that is acceptable to the minor power. We consider two possible information structures. First, under *complete information*, the value of  $X$  is known to all players *ex ante*. Second, under *incomplete information*, the value of  $X$  is drawn from a commonly known uniform probability distribution on  $[0, \bar{X}]$ , where  $\bar{X} \geq 1$ . It is only revealed to the major and minor power.

If there is a side payment  $t$ , it is subtracted from the payoff to the major power and added to the payoff to the minor power. For tractability, we omit all inefficiencies associated with side payments, but all qualitative results hold even if there is a transaction cost  $z \cdot t$  that the major power must incur for a side payment. Let  $\mathbf{R} = 1$  if the bilateral rule is used and  $\mathbf{R} = 0$  if the unilateral rule is used. Combining these elements, the payoff to the major power is zero without accession and

$$u_{major} = \begin{cases} \theta - 1 - \mathbf{R} \cdot t & | \omega = \alpha \\ Y - \mathbf{R} \cdot t & | \omega = \beta \end{cases} \quad (2)$$

otherwise. The payoff to the minor power is zero without accession and

$$u_{minor} = \theta - x + \mathbf{R} \cdot t \quad (3)$$

otherwise.

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<sup>44</sup>Alesina, Angeloni, and Etro (2005); Downs, Rocke, and Barsoom (1998); Gilligan (2004).

Our solution concept is the perfect Bayesian equilibrium. However, it turns out that we need not specify how beliefs are updated. First, the major power must decide on the accession rule before it learns the state of the world or the preferences of the minor power, so it is uninformed. Second, the membership candidate must decide on reform based on prior beliefs. Finally, both the major and minor power learn the “type” of the minor power before accepting or rejecting the application.

## 6 The Unilateral Rule

To solve the model, we must compare equilibrium outcomes under the unilateral and bilateral rule. The game begins as the major power selects the rule. It is uninformed at that stage, so the major power selects the rule to maximize its expected payoff. Generically, the game must therefore have a unique equilibrium.

Under the unilateral rule, the major power accepts a membership application if and only if the payoff from accession weakly exceeds the zero payoff from the outside option. In strategic times, the major power always accepts to obtain a payoff of  $Y$ . If the state of the world is ordinary, the major power accepts if and only if  $\theta - 1 \geq 0$ .

The membership candidate conditions reform on the state of the world. If it is strategic, the candidate understands that it can accede without any reform at all, so it selects  $\theta = 0$ . If it is ordinary, the candidate must choose  $\theta = 1$  to gain accession. Thus, the candidate reforms  $\theta = 1$  if and only if the net value from accession exceeds the cost of reform,  $B \geq c(1)$ .

In equilibrium, the expected payoff to the major power is simply  $\rho \cdot Y$ . In strategic times, the major power captures all of the surplus because the minor power cannot intervene. In ordinary times, the membership candidate captures all of the surplus because it can choose the least acceptable reform that leaves the major power exactly indifferent between accession and the outside option. Consistent with previous research, the unilateral rule is optimal in strategic times and ineffective in ordinary times.

## 7 The Bilateral Rule

Under the bilateral rule, the major power accepts a membership application if and only if it can profitably offer a side payment to the minor power that is then accepted by the latter. If the state of the world is strategic, the value of

accession to the major power is  $Y$ . The value to the minor power is  $\theta - X$ , so the side payment that the major power must offer is  $t = X - \theta$ . The total payoff to the major power is therefore  $Y - X + \theta$ . This payoff is strictly positive given that the value of  $Y$  is assumed to be high enough, so the major power does secure accession, but at a higher cost than under the unilateral rule.

In ordinary times, the value to the major power is  $\theta - 1$  and the value to the minor power is  $\theta - X$ . The side payment that the major power must offer is  $t = X - \theta$ , so the value of accession to the major power is  $2\theta - 1 - X$ . This payoff is negative only if  $\theta$  is low enough, so accession succeeds if and only if  $\theta \geq \frac{1+X}{2}$ .

**Reform Under Complete Information.** Under complete information, the candidate knows the preferences of the major and the minor power. In strategic times, the payoff to the major power is  $Y - X + \theta$ , With  $Y$  large enough, the candidate selects  $\theta = 0$ . The equilibrium payoff to the major power is  $Y - X$  and the equilibrium payoff to the minor power is  $X$ . In ordinary times, the value of accession to the major power is  $2\theta - 1 - X$ , so the candidate selects  $\theta = \frac{1+X}{2}$  if  $B - c(\frac{1+X}{2}) \geq 0$  and  $\theta = 0$  otherwise.

**Reform Under Incomplete Information.** Under incomplete information, the candidate does not know what the true preferences of the minor power are. By increasing reform, the candidate can increase the probability of accession, so the optimal reform must satisfy

$$\lambda'(\theta) \cdot B = c'(\theta) \quad (4)$$

unless  $\lambda(\theta) = 0$ . Accession is possible if and only if the joint surplus between the major and the minor power is not negative, so that  $2\theta - 1 \geq X$ . Accession succeeds if and only if  $X \in [0, 2\theta - 1]$ . The probability that  $X \in [0, 2\theta - 1]$  is in turn given by

$$\lambda(\theta) = \begin{cases} 0 & | \theta < \frac{1}{2} \\ \frac{2\theta-1}{X} & | \frac{1}{2} \leq \theta < \frac{1+X}{2} \\ 1 & | \frac{1+X}{2} \leq \theta \end{cases} \quad (5)$$

This accession probability is graphically represented in Figure 1.

[FIGURE 1 ABOUT HERE]

If  $c(\frac{1}{2})$  is high enough, it is optimal not to reform at all. Otherwise the candidate chooses the level of reform  $\theta$  optimally in  $[\frac{1}{2}, \frac{1+X}{2}]$ . We can write (4) as

$$2\frac{B}{\bar{X}} \geq c'(\theta), \quad (6)$$

where the inequality is strict if and only if  $\theta = \frac{1+\bar{X}}{2}$ . The left side represents the benefit of increasing the probability of accession by  $\frac{2}{\bar{X}}$  while the right side represents the cost. Clearly, the optimal reform is increasing in the benefits of accession  $B$ . On the other hand, the optimal reform increases with  $\bar{X}$  if and only if  $\bar{X}$  is so low that accession is certain. Figure 2 illustrates this relationship.

[FIGURE 2 ABOUT HERE]

## 8 Results

To find the optimal accession rule, we now compute the expected payoff to the major power. We show that under complete information, the unilateral rule is always optimal. However, the bilateral rule is optimal under incomplete information if the probability  $\rho$  of strategic accession is low enough. Empirically, the probability of a bilateral rule increases with the benefits of reform to the candidate. However, the effect of increasing uncertainty about the preferences of the minor power is not monotonic.

Consider the case of complete information. As we have shown above, the net cost of using the bilateral rule in strategic times is  $X$ . The candidate never reforms because it understands that the major power will offer a side payment to the minor power. In ordinary times, the candidate selects that level of reform that leaves the major power exactly indifferent to accession, regardless of the decision rule, so the decision rule has no effect on the payoff. In total, the net cost of using the bilateral rule under complete information is  $\rho \cdot X$ .

**Proposition 1.** Under complete information, the major power selects the unilateral rule.

**Proof.** In the main text. ■

This result appears counterintuitive. If the major power can endogenously create constraints, why does the Schelling conjecture fail to hold? The reason is that since the membership candidate decides on the level of reform and side payments are possible, the existence of constraints has no effect

on the distribution of surplus. The membership candidate understands that as long as accession is not strictly harmful to the international institution, the current members can agree on a side payment that enables accession. Under complete information, accession is not uncertain, so the membership candidate need not choose an overly aggressive reform strategy just to be sure.

What about incomplete information? The expected cost of using the bilateral rule in strategic times is now  $\frac{\bar{X}}{2}$  – the expected value of minor power preferences. In ordinary times, the major power can always say “no” to reap zero surplus. Unless the equilibrium level of reform is zero, the probability that the minor power also benefits from accession is positive. Thus, it is possible that the joint surplus from accession,  $2\theta - 1 - X$ , is positive. The major power can leave the minor power exactly indifferent to accession to reap this surplus, so the bilateral rule *increases* the payoff to the major power. Thus, if the probability of ordinary times is high enough, the bilateral rule dominates the unilateral rule.

**Proposition 2.** If the probability of strategic times is low enough, the major power selects the bilateral rule.

**Proof.** The marginal effect of selecting the bilateral rule on major power payoff is  $-\rho \cdot \frac{\bar{X}}{2} + (1 - \rho) \cdot E(\min\{0, 2\theta - 1 - X\})$ . This expression cannot be negative if  $\rho$  is low enough. ■

Under incomplete information, the membership candidate is not sure how much it should reform to enable accession. If it fails to secure accession, the major power obtains the payoff from the “outside option,” perhaps interpreted as a delay in accession. However, it is also possible that the uninformed membership candidate chose excessive reform because it did not understand that the minor power would approve of accession even with less reform. Consequently, the major power produces a strictly positive joint surplus that it then captures by compensating the minor power for saying “yes.” If the probability of ordinary times is high enough, the net cost of using the bilateral rule for strategic accession is rather irrelevant, so the bilateral rule is indeed optimal.

This result provides a strategic rationale for giving weak states bargaining power over accession. To our knowledge, this rationale has not been previously recognized. As long as side payments are possible and the reform decision is made by the candidate, the presence of constraints is it-

self not a sufficient condition for giving weak states bargaining power. But if weak states have preferences that are subject to uncertainty, the major power can use the bilateral rule to extract informational rents from the membership candidate. Of course, this does not hurt the minor power either. It obtains a higher payoff in strategic times, as the major power chooses to “bribe” the minor power to secure strategic accession.

## 9 Empirical Implications

Our strategic analysis has several empirical implications that prove useful for applications. We begin with the effect of changing the value of accession to the membership candidate and then consider how changes in the level of uncertainty influence the choice of the decision rule and equilibrium behavior. We focus on incomplete information because the case of complete information *never* permits the bilateral rule.

To begin with, consider the value of accession to the candidate,  $B$ . By increasing this value, the opportunity cost of failure grows. As seen above, the optimal level of reform  $\theta$  is increasing in the value of  $B$ . An increase in the level of reform increases the expected value of accession to the major power because the joint surplus  $2\theta - 1 - X$  increases. It also increases the probability that accession succeeds, so that  $X \in [0, 2\theta - 1]$ . Both changes are obviously beneficial for the major power, so *conditional* on the state of the world being ordinary, the value of the bilateral rule increases.

**Proposition 3.** The lowest probability of strategic times  $\rho$  such that the bilateral rule is optimal increases with the value of accession to the candidate  $B$ .

**Proof.** In equilibrium, reform  $\theta$  is an increasing function of  $B$ . The marginal effect of the bilateral rule on the major power payoff is an increasing function of  $\theta$ . ■

If the membership candidate understands that accession is an overwhelming priority, so that failure to do so threatens the political survival of the government, it is willing to undergo costly reforms to ensure that the probability of accession is high. This increases the value of accession to the major power in ordinary times, so even if the probability of ordinary times decreases, the bilateral rule could nevertheless be optimal *ex ante*.

Empirically, major powers should therefore benefit from such rules as

unanimity voting if the modal membership candidate has much to gain from accession. Several empirically identifiable characteristics are relevant. First, small and poor countries enjoy fewer outside options and depend more on international exchange.<sup>45</sup> Second, countries that seek accession as a credible commitment to liberalization and democratization should be most eager to avoid accession failure.<sup>46</sup> These observations are consistent with the stylized fact that both the EU and the WTO require unanimous approval of accession. Both organizations were originally established by major powers, whereas new members have been smaller and poorer.

What about the effect of incomplete information? The simplest way to evaluate this effect is to allow the highest possible cutoff for accession preference  $\bar{X}$  increase. This parameter captures an exogenous increase in the probability that the minor power is really willing to prevent accession for a given level of reform. Interestingly, we find a nonmonotonic relationship.

**Proposition 4.** Suppose  $\bar{X}$  increases. For low enough  $B$ , equilibrium reform and the probability of accession decrease. For high enough  $B$ , equilibrium reform increases while the probability of accession remains constant.

**Proof.** For low enough  $B$ , the equilibrium probability of accession  $\lambda(\theta)$  is less than one. Use (6) to verify that equilibrium reform  $\theta$  is locally decreasing in  $\bar{X}$ . For high enough  $B$ , the equilibrium probability of accession  $\lambda(\theta)$  is one. Use (6) to verify that equilibrium reform  $\theta$  is locally increasing in  $\bar{X}$ .

■

This nonmonotonic relationship is particularly interesting for empirical applications. If the probability of accession is uncertain to begin with, increases in  $\bar{X}$  reduce both reform and the probability of accession. The reason is that the marginal effect of reform on the probability of accession decreases, so the cost-benefit ratio of reform worsens. Notably, this is also bad news for the major power, because it wants to maximize the equilibrium reform and the probability of accession. In contrast, if the probability of reform is already one because the membership candidate is not willing to risk failure, the government responds to increased uncertainty by *increasing* the equilibrium level of reform to ensure that there is no risk of failure. This is obviously beneficial for the major power because equilibrium reform increases while the probability of accession remains constant.

<sup>45</sup>Mattli (1999); Alesina, Angeloni, and Etro (2005).

<sup>46</sup>Gray 2009; Mattli and Plümper 2004.

Empirically, there are several potential factors that could predict uncertainty about the preferences of minor powers. First, the regime type and political stability of a minor power should be reflected in the level of uncertainty. In particular, democratic countries with frequent political turmoil and public opinion hostile to accession should have the highest probability of rejecting a membership application without ambitious reform or excessive side payments. Notably, this observation could explain why the Southern European countries were able to extract concessions from the EU in accession negotiations. Second, minor powers that do not frequently interact with membership candidates should also have a large effect. Whereas China probably has a good understanding of political realities in the United States, it probably has limited information about the true preferences of the Mexican government. Similarly, Eastern European countries frequently interact with Germany and Austria, whereas they might have few direct connections to such countries as Portugal or Belgium. Third, poor applicant states face higher uncertainty because they tend to cause distributional conflict for at least some current member states. Fourth, our case study of the EU Eastern enlargement showed that a high number of applicants can further aggravate uncertainty. Candidates were afraid of being left behind, so they chose very high level of reforms in response. This also explains why the EU chose to start accession negotiations with a big group despite warnings that this could diminish opportunities for future deepening.

For simplicity, we have so far assumed that accession depends only on reform in ordinary times. However, the case of Eastern enlargement shows that accession can also be uncertain regardless of reform. To capture this possibility, we modify the model so that in ordinary times, accession fails with probability  $\gamma$  regardless of the level of reform  $\theta$ . Then the total probability of accession is simply  $(1 - \gamma) \cdot \lambda(\theta)$ . For example, negative public opinion could prevent even the accession of an ideal applicant. This form of uncertainty unambiguously reduces equilibrium reform.

**Proposition 5.** If the probability  $\gamma$  that accession fails for reasons unrelated to reform  $\theta$  increases, equilibrium reform  $\theta$  decreases.

**Proof.** Replace  $\lambda(\theta)$  with  $(1 - \gamma) \cdot \lambda(\theta)$  and let  $\gamma$  increase. In (6), the left side decreases while the right side remains constant for a given  $\theta$ , so equilibrium reform must decrease. ■

This result shows that the form of uncertainty is important. If a membership candidate is uncertain as to the possibility of accession, but additional

reform has a limited effect on the probability of accession, reforms are probably in vain, so the membership candidate hesitates to pay the cost.

It is essential to empirically distinguish different types of uncertainty and their effects on the reform process. Mattli and Plümpfer (2004) show that when the European Union decided to delay the accession of several Eastern European countries, these countries responded by reducing the pace of reform. Our analysis implies that while uncertainty over acceptable accession increases reform in eager membership candidates, an increase in the probability that accession fails *regardless* of reform should reduce optimal reform. After all, if accession probably fails, why pay the high cost of reform? Indeed, our model subsumes the partial analysis that Mattli and Plümpfer (2004) conduct, as we endogenize the decision to approve accession. In the case of Eastern enlargement, it can therefore explain why reforms increased dramatically in some of the second-tier countries after accession negotiations were commenced. In addition, it can explain why Russia has decided to abandon many of the reforms that were implemented during accession negotiations with the WTO. Georgia's veto had dramatically decreased the likelihood that Russia could join the WTO anytime soon without an intervention by the United States or the EU.

## 10 Discussion

The main result from the analysis is that major powers give voting rights on accession to minor powers to induce membership candidates to undergo more ambitious reforms. By giving a minor power an opportunity to blackmail, the major power loses bargaining power vis-à-vis the minor power. But if accession is valuable enough for the membership candidate, the major power gains because the candidate is willing to pay the high price of reform.

For example, the Eastern enlargement of NATO was highly contested even after the US had successfully established a principle commitment to expansion. Schimmelfennig (1999) shows that the current members had conflicting preferences, so the uncertainty about which applicants NATO would accept induced the candidates to do everything possible to meet the membership conditions set by NATO. Besides establishing the democratic and civilian control of the military, Poland had to dismiss the Polish chairman of the joint chiefs of staff in 1997 to secure membership. In the end, accession negotiations were opened only with the Czech Republic, Hungary, and Poland and concluded very soon. Since these countries could

not afford being excluded, “they agreed to everything NATO demanded of them, e.g., in terms of financial contributions, safety of information, and a commitment to future enlargement rounds”.<sup>47</sup>

For tractability, we have presented the simplest possible model that captures the main substantive insights. However, our model is robust to variations. To begin with, our main result does not depend on the assumption that the major power cannot credibly commit to rejecting a membership candidate unless this produces additional surplus. Even if the major power can commit to rejecting all membership candidates that fail to reach a certain threshold, the bilateral rule can be optimal. After all, if the benefits from accession are high enough, Proposition 4 shows that additional uncertainty unambiguously drives up the level of reform. This is particularly important given the formidable bargaining capabilities that major powers have.

Our empirical examples show that, in addition to policy reform, uncertainty about the resolve of a weak state can also give the international institution an opportunity to worsen the terms of accession for the applicant state. One example is the acceptance of discriminatory membership rights. When China negotiated on WTO accession, it ultimately accepted a general safeguard clause for specific products, so that any member state could restrict imports from China. While the clause was negotiated especially for the United States, Europe and many developing countries have already applied this clause to their benefit. Although we have modeled the benefits of uncertainty as reform, it should be apparent that the result extends to other dimensions of bargaining over the terms of accession.

The result does not depend on the assumption that the major and the minor power agree on the desirability of additional reform. Even if the reform space is multidimensional, the result holds as long as the benefits of optimal reform for the major power are substantial enough. Indeed, the membership candidate need not be directly concerned about the preferences of the minor power. Even though the minor power has a veto over accession, the membership candidate must only ensure that accession is valuable enough for the major power. In this case, the major power simply offers a sizeable side payment to the minor power, and accession results. Importantly, we are not predicting that the reforms must reflect minor power preferences. Instead, they should increase the joint surplus from accession to the original members of the international institution.

An essential element of our result are the informational rents that the current members of the international institution can collect. While previous

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<sup>47</sup>Schimmelfennig (1999, 53).

research on information in international politics has emphasized the detrimental possibility of bargaining or reassurance failure, our result does not carry the burden of inefficiency.<sup>48</sup> Uncertainty surrounding the readiness of an international institution to allow accession benefits current members at the expense of the membership candidate, so major powers can often strategically create uncertainty without incurring the cost of unnecessary inefficiencies. We believe an important avenue for future research is to investigate how this insight generalizes to a variety of multilateral interactions that previous research has ignored.

Our result also sheds light on how major powers can use international institutions to redistribute the gains from cooperation. Gruber (2000) shows that major powers can sometimes worsen the *status quo* for weak states to secure “voluntary participation” on expedient terms. We extend this argument by showing that through voting rules, international institutions can also achieve redistribution even if the *status quo* cannot be influenced. Thus, our result greatly expands the scope of power politics under international institutions by modeling the accession negotiations.

A major virtue of our analysis is that it does not depend on perfect foresight. In our model, members of the international institution do not initially understand what the nature of accession is in the future. This stands in contrast to previous research, where scholars have often assumed that states have almost perfect foresight about future interactions.<sup>49</sup> Our result can capture the empirical reality that the strategic surroundings of future accession negotiations are subject to fundamental uncertainties. This does not pose any complications for our theory of accession rules because the informational rents that the international institution collects are ultimately derivative of the high cost of failure to the membership candidate.

Our result is also robust to introducing uncertainty about major power preferences. For simplicity, we have assumed these preferences are known. But even if the major power has preferences subject to some uncertainty, additional uncertainty about the minor power increases the expected level of reform as long as accession is crucial for the membership candidate. We believe this information structure is quite plausible, because direct strategic interactions between the major power and the membership candidate are usually more salient than those involving the minor power.

To reduce notation, we have assumed side payments are fully efficient within the international institution, but our result does not depend on this

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<sup>48</sup>Fearon (1995); Gartzke (2007).

<sup>49</sup>Alesina, Angeloni, and Etro (2005); Konstantinidis (2008); Maggi and Morelli (2006).

assumption. Even if there is a transaction cost to side payments, the bilateral rule can be optimal. Of course, inefficient side payments increase the risk of accession failure. But again, if the value of accession is high enough for the membership candidate, it can avoid this problem by choosing a high enough level of reform such that the accession failure is but a remote possibility.

## 11 Conclusion

In this article, we have examined the politics of accession rules in international institutions. Weak states can use egalitarian rules, such as unanimity voting, to blackmail major powers, so it is not clear why major powers should ever accept these rules when essential strategic interests are at stake. We have shown that if unanimity voting endogenously creates uncertainty about the requisite level of reform, and the membership candidate cannot afford to stay outside, all members of the international institution stand to benefit from the unanimity rule.

Our findings shed light on questions at the heart of decision making in international institutions. Previous research has not produced detailed predictions regarding the specific decision rules that give major powers an aura of legitimacy at the lowest cost. Instead of accepting the received notion of an unavoidable tradeoff, we have shown that unanimous accession rules can secure voluntary participation by weak states while actually benefiting major powers. This result gives firm strategic microfoundations to the observation that major powers have often accepted binding constraints even for salient issues.

The implications for the deepening and widening of international institutions are potentially interesting. Downs, Rocke, and Barsoom (1998) argue that sequential enlargements, as opposed to inclusive enlargement, mitigate the broader-deeper tradeoff. We show that inclusive enlargements can also dynamically mitigate this tradeoff at least partially, because the inherent uncertainty of accession under competition increases the degree of policy harmonization between current and new member states. By endogenizing the reform processes that determine the political and economic incentives of incumbent governments, we have added a new dimension to the study of broader-deeper tradeoffs in international cooperation.<sup>50</sup>

We have discussed several empirically testable implications. Most im-

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<sup>50</sup>Gilligan (2004); Hausken, Mattli, and Plümper (2006).

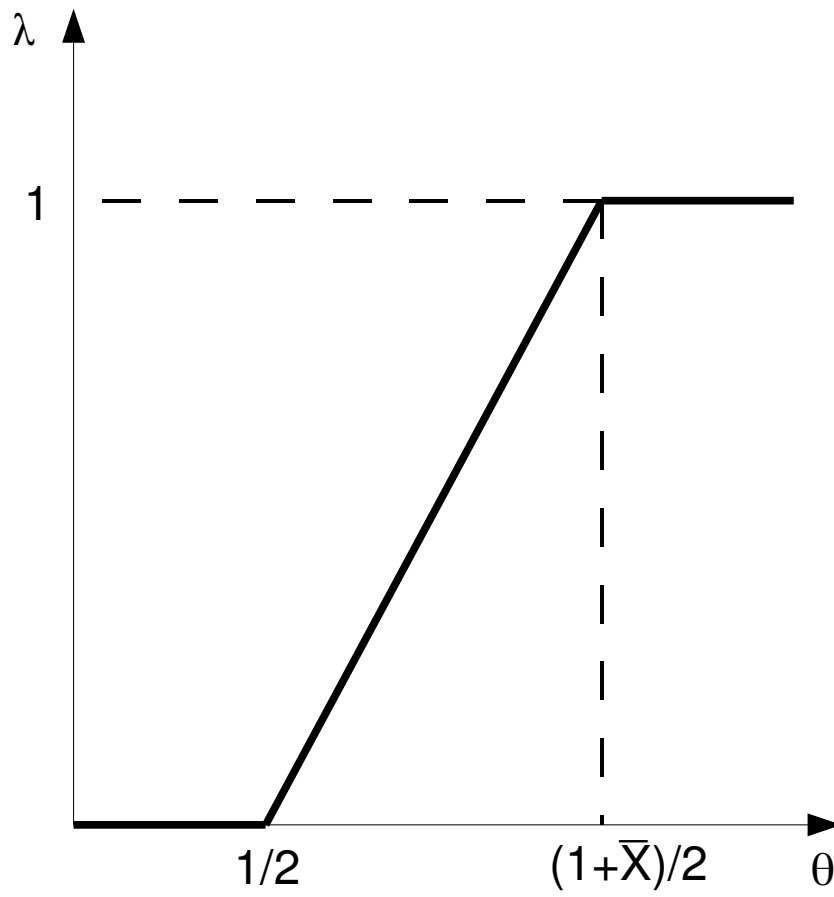
portantly, future research should test whether reform efforts of applicant states increase with the uncertainty about the appropriate level of reform and the applicant's value of membership. Our results can inform a research program on the relationship between the expansion of such salient international institutions as the EU, the WTO, and NATO as well as major free trade associations. Additionally, it gives rigorous microfoundations for quantitative studies of the "logic of regional integration" pioneered by Mattli (1999).

The results have important policy implications. If major powers have an interest in expanding the membership of an international institution, but only if applicants undergo extensive political and economic reforms, they should increase uncertainty about accession without full reform while decreasing uncertainty about accession given full reform. In this respect, it is unfortunate that President Nicolas Sarkozy of France has proposed that accession to the EU would require domestic parliamentary approval. By closing the door to aspiring European countries in the Balkans and subjecting accession to the vicissitudes of domestic politics in current member states, this proposal could slow down reform processes at a high cost to the citizens of these countries and to the members of the EU themselves.

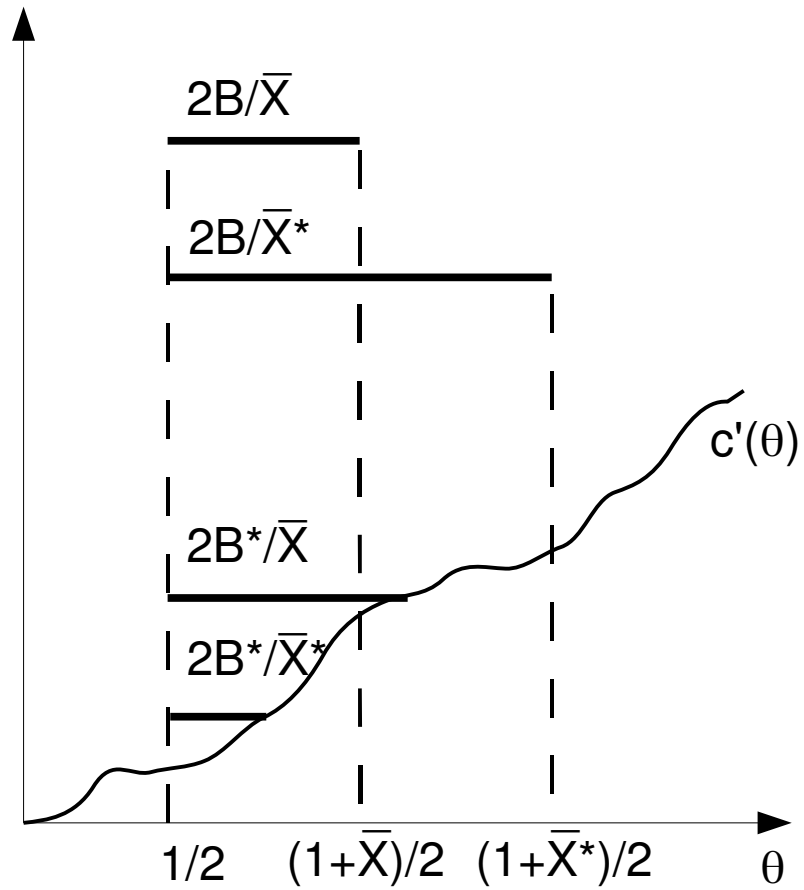
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[-2ex] <i>Ratification</i>	International Seabed Authority International Organization for the Prohibition of Chemical Weapons
[1.5ex] <i>Majority</i>	African Union
[1.5ex] <i>Super-Majority</i>	International Monetary Fund World Bank
[1.5ex] <i>Unanimity</i>	North Atlantic Treaty Organization European Union World Trade Organization Mercosur ASEAN Andean WEU
[1.5ex]	

Table 1: Examples of Accession Rules in International Institutions



**Figure 1.** The probability of successful accession  $\lambda$  as a function of reform  $\theta$ .



**Figure 2.** The length of each thick line measures equilibrium reform for the corresponding parameter values. If the benefits of accession are high  $B$ , an increase in uncertainty about the necessary level of reform,  $\bar{X}^* > \bar{X}$ , results in higher equilibrium reform. If the benefits of accession are low  $B^*$ , this increase results in lower equilibrium reform.

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