CHAPTER 2

How Did We Get Here?

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Chapter Overview

European countries responded to a series of domestic, regional, and global challenges after the Second World War by integrating economically and politically. These challenges ranged from post-war reconstruction, to international financial turmoil, to the consequences of the end of the Cold War. Driven largely by national interests, Franco-German bargains, and American influence, Europeans responded by establishing the European Community and later the European Union. Deeper integration clashed with cherished national concepts of identity, sovereignty, and legitimacy. Successive rounds of enlargement, which saw the EU grow in size from its original six member states, also generated institutional and policy challenges that have shaped the contours of European integration.

Introduction

The history of the European Union presents a fascinating puzzle: why did European states, traditionally jealous of their independence, pool sovereignty in an international organization that increasingly acquired federal attributes? This chapter argues that the answer is as simple as it is paradoxical: because it was in their national interest to do so. Political parties and interest groups did not always agree on what constituted the national interest, and governments themselves were sometimes divided. But at critical junctures in the post-war period, for various strategic and/or economic reasons, national leaders opted for closer integration.

This chapter aims to outline the history of **European integration** by focusing on national responses to major domestic and international challenges since the end of the Second World War. These responses gave rise to the European Community (EC) and later the European Union (EU). France and Germany played key roles. The EC was a bargain struck (primarily) between them for mutual economic gain. By strengthening post-war Franco-German ties, the EC also had an important political dimension. Indeed, Germany conceded a lot to France in the negotiations that led to the EC in order to deepen Franco-German solidarity, a key step towards binding the Federal Republic to the West. Subsequent milestones in the history of European integration also hinged on Franco-German bargaining.

Ideology—the quest for a united Europe—was not a major motive for European integration (see Box 2.1). The Preamble of the Rome Treaty, the EC's charter, called for an 'ever closer union' among the peoples of Europe. This was a vague assertion of the popular aspiration for European unity, not a guiding principle for the EC. Some

BOX 2.1 Interpreting European integration

Historians have offered different interpretations of how European integration has developed and why. Alan Milward (1984; 2000) is the foremost historian of European integration. He argues that economic interests impelled Western European countries to integrate, but that national governments shared sovereignty only to the extent necessary to resolve problems that would otherwise have undermined their legitimacy and credibility. Paradoxically, European states rescued themselves through limited **supranationalism**. More recently, Andrew Moravcsik (1998) has complemented Milward's thesis by claiming that national governments, not supranational institutions, controlled the pace and scope of integration. Moravcsik uses historical insights from a series of case studies, from the 1950s to the 1990s, to develop **liberal intergovernmentalism** as a theory of **European integration**. Intergovernmentalism generally is in the ascendant in the historiography of European integration, in contrast to the early years of the EC when the arguments of neofunctionalist scholars such as Ernst Haas (1958) and Leon Lindberg (1963) dominated academic discourse on the EC (see Chapter 1).

national and supranational leaders were strongly committed to federalism. But they succeeded in moving Europe in a federal direction only when ideological ambition coincided with national political and economic preferences. The language of European integration, redolent of peace and reconciliation, provided convenient camouflage for the pursuit of national interests based on rational calculations of costs and benefits.

This chapter also argues that the United States (US) has been a major player in the integration process, both positively (as a promoter of integration) and negatively (as an entity against which Europe has integrated). **Globalization** (see Box 1.5) and its presumed association with Americanization, has driven European integration in recent years. Since the late 1980s, the EU has been in search of strategies to compete globally against the US while retaining a social structure that is relatively egalitarian and distinctly not American.

Post-War Settlement

The most pressing question at the end of the war was what to do about Germany. The question became acute with the onset of the Cold War. As the Soviet Union consolidated its control over the eastern part of the country, the Western Powers—the United Kingdom (UK), France, and the US—facilitated the establishment of democratic and free **market** institutions in what became the Federal Republic of Germany (FRG). The German question then became how to maximize the economic and military potential of the FRG for the benefit of the West while allaying the understandable concerns of Germany's neighbours, especially France. France accepted a supranational solution to the problem of German economic recovery, but not to the problem of German remilitarization.

The US championed integration as a means of reconciling old enemies, promoting prosperity, and strengthening Western Europe's resistance to communism. The **Marshall Plan** (see Box 2.2) was the main instrument of American policy. European governments wanted American dollars for post-war reconstruction, but without any strings attached. For their part, the Americans insisted that European recipients coordinate their plans for using the aid. That was the extent of European integration in the late 1940s. The UK had no interest in sharing sovereignty. France wanted to keep the old enemy down and keep Germany's coal-rich Ruhr region from becoming a springboard to remilitarization. Few countries were willing to liberalize trade. Winston Churchill's famous call in 1946 for a United States of Europe belied the reality of politicians' unwillingness to change the international status quo.

It was Germany's rapid economic recovery, thanks in part to the Marshall Plan, that made the status quo untenable. The US wanted to accelerate German recovery in order to reduce occupation costs and promote recovery throughout Europe. A weak West Germany, the Americans argued, meant a weak Western Europe. France agreed, but urged caution. France wanted to modernize its own economy before allowing Germany's economy to rebound. Indeed, France agreed to the establishment of the FRG only on condition that German coal production (a key material for war-making) remained under international control.

German expressions of resentment of French policy fell on receptive American ears. As the Cold War deepened, the US intensified pressure on France to relax its policy toward Germany so that German economic potential could be put at the disposal of the West. Yet the US was not insensitive to French economic and security interests. Instead of imposing a solution, Washington pressed Paris to devise a policy that would allay French concerns about the Ruhr region, without endangering Germany's full recovery.

BOX 2.2 Key concepts and terms

The **Empty Chair Crisis** was prompted by French President Charles de Gaulle's decision to pull France out of all Council meetings in 1965 thereby leaving one chair empty. De Gaulle was protesting the Commission's plans to extend the EC's powers generally and subject more decisions to **qualified majority voting** (QMV).

The **Luxembourg Compromise** resolved the empty chair crisis. Reached during a foreign ministers' meeting in 1966, the Compromise was an informal agreement stating that when a decision was subject to QMV, the Council would postpone a decision if any member states felt 'very important interests' were under threat. In effect the compromise meant QMV was used far less often, and unanimity became the norm.

The **Marshall Plan** (1947) was an aid package from the US of $13 billion (a lot of money in 1947, equivalent to 5 per cent of US GNP) to help rebuild West European economies after the war. The aid was given on the condition that European states cooperate and jointly administer these funds.

Qualified Majority Voting (QMV) can be used to reach most decisions in the Council of Ministers. Each member state is granted a number of votes roughly proportional to its population (Germany, UK, France, and Italy have the most; Malta the least). The formula for deciding which country gets how many votes was revised after fierce debate at the Nice Summit in 2000 (see Chapter 3, especially Table 3.2). The Constitutional Treaty radically revised the modalities of QMV, and the 2007 Reform Treaty contained these same provisions.

The **Schengen Agreement** was signed by five member states in 1985 (Belgium, France, Germany, Luxembourg, and the Netherlands) and came into effect ten years later. It removed all border controls among its signatories, which now includes 15 EU member states as well as Norway and Iceland. Ireland and the UK are not signatories, and Denmark has opted out of certain aspects of this agreement.

Subsidiarity is the idea that action should be taken at the level of government which is best able to achieve policy goals, but as close to the citizens as possible.

Given its preference for European integration, the US hoped that France would take a supranational tack.

Originally, the US wanted the UK to lead on the German question. The UK had already taken the initiative on military security in Europe, having pressed the US to negotiate the Washington Treaty (which founded NATO, the North Atlantic Treaty Organization). Yet the UK was reluctant for reasons of history, national **sovereignty**, and economic policy to go beyond anything but intergovernmental cooperation. The UK's prestige in Europe was then at its height. Continental countries looked to the UK for leadership. Such leadership, however, was absent, and under mounting American pressure, France came up with a novel idea to reconcile Franco-German interests by pooling coal and steel resources under a supranational High Authority.

Schuman Plan

This idea became the **Schuman Plan**, drafted by Jean Monnet, a senior French civil servant with extensive international experience. Monnet faced intense American pressure to devise a new policy towards Germany but also believed in European unity and saw the Schuman Plan as a first step in that direction. More immediately, it would protect French interests by ensuring continued access to German resources, although on the basis of cooperation rather than coercion. The new plan bore the name of the French Foreign Minister, Robert Schuman, who risked his political life promoting it at a time when most French people deeply distrusted Germany.

Naturally, German Chancellor Konrad Adenauer endorsed the plan, which provided a means of resolving the Ruhr problem and rehabilitating Germany internationally. Schuman and Adenauer trusted each other. They were both Christian Democrats, came from the Franco-German borderlands, and spoke German together. Aware of the UK's attitude towards integration, Schuman did not bother to inform London of the plan. By contrast, the Americans were in on it from the beginning.

The Schuman Plan was a major reversal of French foreign policy. Having tried to keep Germany down since the war, France now sought to turn the inevitability of Germany's economic recovery to its own advantage through the establishment of a common market in coal and steel. The Schuman Declaration of 9 May 1950, announcing the plan, was couched in the language of reconciliation rather than realpolitik. In fact the initiative cleverly combined national and European interests. It represented a dramatic new departure in European as well as in French and German affairs (see Box 2.3).

Participation in the plan was supposedly open to all the countries of Europe. In fact, the list of likely partners was far shorter. The Cold War excluded Central and Eastern Europe from the plan. In Western Europe, the UK and the Scandinavian countries had already rejected supranationalism. Ireland was isolationist; Spain and Portugal, under dictatorial regimes, were international outcasts; and Switzerland was resolutely neutral. That left the Benelux countries (Belgium, the Netherlands, and Luxembourg), which were economically tied to France and Germany, and Italy, which saw integration

BOX 2.3 How it really works

Rhetoric versus reality in the Schuman Plan

Jean Monnet's drafting of the Schuman Plan in 1950 marked a diplomatic breakthrough on the contentious German question. More generally, the plan's proposal for a coal and steel community also advanced the goal of European unity. When outlining the proposal in the Schuman Declaration, a highly publicized initiative, Monnet emphasized the European and idealistic dimension of the proposal. Issued on 9 May, the Schuman Declaration proclaimed that:

> World peace can only be safeguarded if constructive efforts are made proportionate to the dangers that threaten it ... France, by advocating for more than twenty years the idea of a united Europe, has always regarded it as an essential objective to serve the purpose of peace ... With this aim in view, the French government proposes to take immediate action on one limited but decisive point. The French government proposes that Franco-German production of coal and steel be placed under a common 'high authority' within an organization open to the participation of the other European nations ... [This] will lay the first concrete foundation for a European federation, which is so indispensable for the preservation of peace.

But Monnet's primary concern was to defend French national interests. He wanted to ensure French access to German raw materials and European markets despite Germany's economic resurgence. In a private note to Schuman some days before the Declaration's unfurling, Monnet explained that France had little choice but to safeguard its interests by taking a new approach. On 1 May Monnet informed Schuman that:

> Germany has already asked to be allowed to increase its output [of steel] from 10 to 14 million tons [French output was 9 million tons at the time]. We will refuse but the Americans will insist. Finally, we will make reservations and give way ... There is no need to describe the consequences [of not giving way] in any detail (quoted in Duchêne 1994: 198).

Instead of trying to block Germany's advance, Monnet advocated a European initiative—the Schuman Plan—in defence of French interests.

primarily as a means of combating domestic communism and restoring international **legitimacy**. Consequently the European Coal and Steel Community (ECSC), launched in 1952, included only six countries. The ECSC soon established a common market in coal and steel products, with generous provisions for workers' rights.

European Defence Community

The same six countries ('the Six') signed a treaty to establish a defence community in 1952. The rationale for both communities was the same: supranational institutions

provided the best means of managing German recovery. In this case, the outbreak of the Korean War in June 1950, perceived as a possible precursor to a Soviet attack on Western Europe, made German remilitarization imperative. France at first resisted, and then acquiesced on condition that German military units were subsumed into a new European Defence Community (EDC). Like the Schuman Plan, the plan for the EDC sought to make a virtue (European integration) out of necessity (German remilitarization). Although the EDC was a French proposal, most French people fiercely opposed German remilitarization. The EDC became the most divisive issue in the country. In view of the treaty's unpopularity the government delayed ratification for two years. The French parliament ignominiously defeated the treaty in 1954.

Ironically, Germany formed an army anyway, under the auspices of the Western European Union (WEU), an intergovernmental organization comprising the UK and the Six and established in 1954. Germany joined NATO via the WEU in May 1955 and effectively regained full formal sovereignty. Whereas the intergovernmental WEU endured (until it was folded into the EU, beginning in 2000), the European Defence Community was a bridge too far for European integration. At a time when the Six were setting up the ECSC, the launch of a similar supranational initiative in the much more sensitive defence sector was too ambitious. Even if it had come into existence, in all likelihood the EDC would have been unworkable. Resistance to its implementation, especially from the far left and far right, would have been intense. The EDC brought the idea of supranationalism into disrepute. The end of the affair allowed supporters of supranationalism to jettison the baggage of German remilitarization and concentrate on first principles: economic integration.

It is remarkable how quickly the idea of European integration bounced back to life. The ECSC was operating fully, but its political and economic impact was slight. Despite what some observers (and neofunctionalist theorists) predicted, there was little 'spillover' from supranational cooperation in coal and steel to other sectors. Monnet, who became President of the High Authority, was bored in Luxembourg, the ECSC's capital. He left office and returned to Paris in 1955, where he set up a transnational organization, the Action Committee for the United States of Europe, to advocate further integration. His pet scheme was for an Atomic Energy Community (Euratom), along the same lines as the ECSC. The French government was interested, but not for the same reasons as Monnet. Whereas Monnet saw Euratom as a further step towards European unity, the government saw it as a means of bolstering France's nuclear programme for civil and military purposes. Not surprisingly, this idea had little appeal for France's partners.

European Community

The relaunch of European integration after the EDC's collapse was due not to Monnet or support for Euratom, but to changes in international trade relations in the mid-1950s. Thanks largely to liberalization measures in the Organization for

European Economic Cooperation (OEEC) and the General Agreement on Tariffs and Trade (GATT), intra-European trade was on the rise. With it, prosperity increased. European governments wanted more trade, but disagreed on the rate and range of liberalization. The British favoured further liberalization through the OEEC and the GATT, as did influential elements in the German government (notably Ludwig Erhard, the economics minister). The French were instinctively protectionist, although some influential politicians advocated openness. The Dutch, with a small and open economy, wanted full liberalization and were impatient with progress in the OEEC and the GATT, where intergovernmentalism constrained decision-making.

The Dutch had proposed a common market for all industrial sectors in the early 1950s. This would combine a customs union (the phased abolition of tariffs among member states and erection of a common external tariff, see Box 2.4) with the free movement of goods, people, services, and capital, as well as supranational decision-making in areas such as competition policy. They revived the proposal in 1955, arguing that the international economic climate was more propitious than ever for the launch of a common market.

Successful negotiations to establish the European Economic Community (EEC or EC) in 1956, so soon after the collapse of the EDC, owed much to the leadership of politicians such as Paul-Henri Spaak in Belgium, Guy Mollet and Christian Pineau in France, and Konrad Adenauer in Germany. Because of France's political weight in Europe and traditional protectionism, Mollet and Pineau played crucial roles. But their advocacy of the EC came with a price for the other prospective member states. In order to win domestic support they insisted on a special regime for agriculture in the common market, assistance for French overseas territories (France was then in the painful process of decolonization), and the establishment of Euratom.

The negotiations that resulted in the two Rome treaties, one for the EC and the other for Euratom, were arduous. Because the UK opposed supranationalism and the proposed agricultural regime, it did not participate. Germany succeeded in emasculating Euratom and grudgingly accepted the EC's overseas territories provisions. In the meantime, Adenauer resisted Erhard's efforts to jettison the common market in favour of looser free trade arrangements, arguing that the EC was necessary for geopolitical as well as economic reasons. French negotiators fought what they called the 'Battle of Paris', trying to assuage domestic criticism of the proposed common market while simultaneously driving a hard bargain in the negotiations in Brussels.

The ensuing Treaty of Rome establishing the EC was a typical political compromise. Its provisions ranged from the general to the specific, from the mundane to the arcane. Those on the customs union, calling for the phased abolition of tariffs (a tax on trade) between member states and erection of a common external tariff, were the most concrete. The treaty did not outline an agricultural policy, but contained a commitment to negotiate one in the near future. Institutionally, the treaty established a potentially powerful Commission, an Assembly (of appointed, not elected, members) with limited powers, a Council to represent national interests directly in the decision-making process, and a Court of Justice (see Chapter 3).

BOX 2.4 Compared to what?

Regional and economic integration

Economic integration in Europe has proceeded through a number of steps or stages. A similar trajectory has occurred in other regions of the world, although nowhere has the level of economic cooperation matched that found in the EU.

In a **free trade area** (FTA) goods travel freely among member states, but these states retain the authority to establish their own external trade policy (tariffs, quotas, and non-tariff barriers) towards third countries. By allowing free access to each other's markets and discriminating favourably towards them, a free trade area stimulates internal trade and can lower consumer costs. But the lack of a common external tariff means complicated rules of origin are required to regulate the import of goods. One example of a FTA outside the EU is the European Free Trade Association (EFTA) which was established under British leadership in 1960 to promote expansion of free trade in non-EC western European countries. The UK left EFTA to join the EC in 1973, but Iceland, Liechtenstein, Norway, and Switzerland are still members. Canada, Mexico, and the US signed the North American Free Trade Agreement (NAFTA) in 1992.

Regional organizations elsewhere have created closer economic ties which may develop into FTAs. For instance the Association of South-east Asian Nations (ASEAN) was established in 1967 to provide economic as well as social cooperation among non-communist countries in the area. A wider forum for regional economic cooperation is found among Pacific Rim countries within APEC (Asia Pacific Economic Cooperation) which includes Australia, China, Indonesia, Japan, Mexico, the Philippines, and the US.

A customs union requires more economic and political cooperation than an FTA. In addition to ensuring free trade among its members, a customs union has a common external tariff and quota system, and a common commercial policy. No member of a customs union may have a separate preferential trading relationship with a third country or group of third countries. A supranational institutional framework is required to ensure its functioning. Customs unions generally create more internal trade and divert more external trade than do free trade areas. The six founding members of the EC agreed to form a customs union, which came into being in 1968, two years ahead of schedule. A customs union also exists in South America. Mercosur (Southern Cone Common Market) was established in 1991 by Argentina, Brazil, Paraguay, and Uruguay.

A common market represents a further step in economic integration by providing for the free movement of services, capital, and labour in addition to the free movement of goods. For various economic and political reasons the Six decided to go beyond a common market (the colloquial name for the EC) by establishing additionally a common competition policy; monetary and fiscal policy coordination; a common agricultural policy (CAP); a common transport policy; and a preferential trade and aid agreement with member states' ex-colonies. Not all these elements were fully implemented. By the 1980s it was clear that the movement of labour and capital was not entirely free, and a host of non-tariff barriers still stymied intra-Community trade in goods and services.

The '1992 project' or single market programme was designed to achieve a true internal market in goods, services, labour, and capital.

An **economic and monetary union (EMU)** is far more ambitious. It includes a single currency and the unification of monetary and fiscal policy. In the EU, plans to introduce EMU, outlined in the Maastricht Treaty, were successfully implemented in January 1999, with euro notes and coins circulating by January 2002. No other region in modern times has come close to this level of economic cooperation.

The Rome treaties were signed on 25 March 1957, and the EC came into being on 1 January 1958. Most Europeans were unaware of either event. Apart from the EDC, European integration had not impinged much on public opinion. Yet the ECSC and EC were highly significant developments. The Coal and Steel Community represented a revolution in Franco-German relations and international organization; the so-called Common Market had the potential to reorder economic and political relations among its member states.

Consolidating the European Community

The big news in Europe in 1958 was not the launch of the EC but the collapse of the French Fourth Republic and the return to power of General Charles de Gaulle. Events in France had a direct bearing on the EC. De Gaulle helped consolidate the new Community by stabilizing France politically (through the construction of the Fifth Republic) and financially (by devaluing the franc). On the basis of renewed domestic confidence, France participated fully in the phased introduction of the customs union, so much so that it came into existence in 1968, eighteen months ahead of schedule.

De Gaulle also pushed for completion of the Common Agricultural Policy (CAP). With a larger farming sector than any other member state, France had most to gain from establishing a single agricultural market, based on guaranteed prices and export subsidies funded by the Community. France pressed for a generous CAP and had the political weight to prevail. Nevertheless the construction of the CAP, in a series of legendary negotiations in the early 1960s, proved onerous. What emerged was a complicated policy based on protectionist principles, in contrast to the liberalizing ethos of Community policies in most other sectors (see Chapter 6). The contrast represented the competing visions of the EC held by its members, potential members, and the wider international community (see Box 2.5).

Implementation of the customs union and construction of the CAP signalled the Community's initial success, obscuring setbacks in other areas such as the failure to implement a common transport policy. The customs union and the CAP had a major international impact. For instance, as part of its emerging customs union the

BOX 2.5 How it really works

British accession and competing visions of Europe

The integration of Europe is sometimes portrayed (not least in the popular press) as an inexorable process following some overarching agreed plan. But in practice integration has proceeded in fits and starts, the result of domestic and international pressures and competing visions of what the EU is or should be. The debates surrounding the UK's first application to join the EC illustrate the very different visions of Europe competing for dominance during the Community's early years.

In a remarkable reversal of policy, the UK applied to join the EC in 1961. The UK wanted unfettered access to EC industrial markets, but also wanted to protect trade preferences for Commonwealth countries (former British colonies) and turn the CAP in a more liberal direction. De Gaulle was unsympathetic to the UK's application. Economically, he wanted a protectionist CAP. Politically, he espoused a 'European Europe', allied to the United States but independent of it. By contrast, the UK acquiesced in America's Grand Design for a more equitable transatlantic relationship built on the twin pillars of the US and a united Europe centred on the EC, a design that arguably disguised America's quest for continued hegemony in NATO. The US supported British membership in the EC as part of its Grand Design. By vetoing the UK's application in January 1963, de Gaulle defended the CAP and thwarted American ambitions in Europe. The episode suggests how international pressure, domestic politics, and competing visions of Europe have shaped the evolution of European integration.

EC developed a common commercial policy, which authorized the Commission to represent the Community in international trade talks, notably the GATT. The CAP tended to distort international trade and irritate the EC's partners. It is no coincidence that the first transatlantic trade dispute was over the CAP (the so-called 'Chicken War' of 1962–3, sparked by higher tariffs on US chicken imports).

The EC's fledgling institutions also began to consolidate during this period. The Commission organized itself in Brussels under the presidency of Walter Hallstein, a former top official in the German foreign ministry and a close colleague of Adenauer's. There were nine Commissioners, two each from the large member states and one each from the small member states (this formula would remain unchanged for nearly fifty years). The Commission's staff came from national civil services and from the ECSC's High Authority, which continued to exist until it merged into the Commission in 1967. In the Council of Ministers, foreign ministers met most often, indicating the EC's growing political as well as economic nature. The Council formed a permanent secretariat in Brussels to assist its work. Member states also established permanent representations of national civil servants in Brussels, whose heads formed the Committee of Permanent Representatives (Coreper), which soon became one of the Community's most powerful bodies. The Assembly, later known as the European Parliament (EP), tried to assert itself from the beginning, demanding for instance that its members be

directly elected rather than appointed from national parliaments. But the EP lacked political support from powerful member states. Working quietly in Luxembourg, the Court of Justice began in the 1960s to generate an impressive corpus of case law. In several landmark decisions, the Court developed the essential rules on which the EC legal order rests, including the supremacy of Community law (see Chapter 3).

Crisis and Compromise

De Gaulle's arrival had a negative as well as a positive effect on the consolidation of the nascent EC. De Gaulle openly opposed supranationalism. He and his supporters (Gaullists) had resisted the ECSC and the EDC; they tolerated the EC, but primarily because of its economic potential for France. In de Gaulle's view, the nation-state was supreme. States could and should form alliances and collaborate closely, but only on the basis of intergovernmentalism, not shared sovereignty. Yet de Gaulle thought that the Community could be useful politically as the basis of an intergovernmental organization of European states.

A clash over supranationalism was likely to arise in 1965 as, under the terms of the Rome Treaty, a number of decisions in key policy areas, including agriculture, were due to become subject to **qualified majority voting** (QMV) (see Box 2.2). Majority voting is a key instrument of supranationalism because member states on the losing side agree to abide by the majority's decision. De Gaulle rejected this idea in principle, seeing QMV as an unacceptable abrogation of national sovereignty. The looming confrontation erupted in June 1965, when de Gaulle triggered the so-called **Empty Chair Crisis** (see Box 2.2) by withdrawing French representation in the Council ostensibly in protest against Commission proposals to strengthen the EC's budgetary powers, but really in an effort to force other member states to agree not to extend the use of QMV. De Gaulle had a compelling practical reason to resist QMV: he wanted to protect the CAP against a voting coalition of liberal member states.

The crisis ended in January 1966 with the so-called **Luxembourg Compromise** (see Box 2.2). The Treaty's provisions on QMV would stand, but the Council would not take a vote if a member state insisted that very important interests were at stake. The Luxembourg Compromise tipped the balance toward intergovernmentalism in the Community's decision-making process, with unanimity becoming the norm. This development had a detrimental effect on decision-making until the Single European Act took effect in 1987.

EC after De Gaulle

By 1969, when de Gaulle resigned, the EC was economically strong but politically weak. Supranationalism was in the doldrums. The Commission and Parliament were relatively powerless, and unanimity hobbled effective decision-making in the Council. De Gaulle had twice rebuffed the UK's application for EC membership, in 1963 and

in 1967. Following de Gaulle's departure, British membership became inevitable, although accession negotiations were nonetheless difficult. Ireland, Denmark, and Norway negotiated alongside the UK, but a majority of Norwegian voters rejected membership in a referendum in 1972. The UK, Ireland, and Denmark joined the following year.

The EC's first enlargement was a milestone in the organization's history. Unfortunately it coincided with international financial turmoil and a severe economic downturn that slowed the momentum for further integration. Moreover, the UK's early membership was troublesome. A new Labour government insisted on renegotiating the country's accession terms. The renegotiations alienated many of the UK's partners in the EC, especially France and Germany. At the end of the 1970s a new Conservative government, under Margaret Thatcher, demanded a huge budgetary rebate. The UK had a point, but Thatcher's strident manner when pushing her case incensed other member states. The British budgetary question dragged on until 1984, overshadowing a turnaround in the Community's fortunes after a decade of poor economic performance.

Difficult Decade

Because of the UK's early difficulties in the EC and prevailing stagflation in Europe (weak economic growth combined with high inflation and unemployment), the 1970s is generally seen as a dismal decade in the history of integration. Yet a number of important institutional and policy developments occurred at that time. On the policy side, the 1979 launch of the European Monetary System (EMS), the precursor to the single currency, was especially significant. Concerned about America's seeming abdication of international financial leadership, and eager to curb inflation and exchange rate fluctuations in the EC, French and German leaders devised the EMS, with the Exchange Rate Mechanism (ERM) designed to regulate currency fluctuations at its core. The sovereignty-conscious UK declined to participate. By the mid-1980s, the inflation and exchange rates of ERM members began to converge, thus helping to keep their economies stable. The Lomé agreement of 1975, providing preferential trade and development assistance to scores of African, Caribbean, and Pacific countries, was another important achievement for the beleaguered Community, as was the launch of **European Political Cooperation (EPC)**, a mechanism to coordinate member states' foreign policies (see Chapter 10). In terms of closer European integration, the development of EC environmental policy in the 1970s was even more important.

Institutionally, the 1970s saw a gradual improvement in the Commission's political fortunes, especially later in the decade under the presidency of Roy Jenkins. The first direct elections to the EP took place in 1979, raising the institution's political profile and enhancing the EC's formal legitimacy. The inauguration of the European Council (regular meetings of the heads of state and government) in 1975 strengthened intergovernmental cooperation. The European Council soon became the EC's most important agenda-setting body (see Chapter 3), while direct elections laid the basis

for the EP's institutional ascension in the 1980s and 1990s. The Court of Justice continued in the 1970s to build an impressive body of case law that maintained the momentum for deeper integration.

By the early 1980s, the EC had weathered the storm of recession and the challenge of British accession. The end of dictatorial regimes in Greece, Portugal, and Spain in the mid-1970s presaged the EC's Mediterranean enlargement (Greece joined in 1981, Portugal and Spain in 1986). By that time the EC was more than a customs union but still less than a full-fledged common market. A plethora of non-tariff barriers (such as divergent technical standards) hobbled intra-Community trade in goods and services, and the movement of people and capital was not entirely free. Intensive foreign competition, especially from the US and Japan, began to focus the attention of political and business leaders on the EC's ability to boost member states' economic growth and international competitiveness. This was the genesis of the **single market** programme, which spearheaded the EC's response to globalization and ushered in the EU.

The Emerging European Union

The single market programme for the free movement of goods, services, capital, and people emerged as a result of collaboration between big business, the Commission, and national leaders in the early 1980s. Several European Councils endorsed the idea. But the initiative only took off when the Commission, under the new presidency of Jacques Delors, unveiled a legislative roadmap (a White Paper on the 'completion' of the **internal market**) in 1985. To ensure the programme's success, the European Council decided to convene an Intergovernmental Conference (IGC) to make the necessary treaty changes. Chief among them was a commitment to use qualified majority voting for most of the White Paper's proposals, thereby ending the legislative gridlock that had hamstrung earlier efforts for full market liberalization.

As well as covering the single market programme, the Single European Act (SEA) of 1986 brought environmental policy into the treaty, strengthened Community policy in research and technological development, and included a section on foreign policy cooperation. It also committed the EC to higher expenditure on regional development (**cohesion policy**), partly as a side payment to the poorer member states, including new entrants Portugal, Spain, and Greece, which were unlikely to benefit as much from market integration as were their richer counterparts. Institutionally, the SEA's most important provisions enhanced the EP's legislative role through the introduction of the **cooperation procedure** (see Box 3.5). This procedure was intended to improve democratic accountability at a time when the EC's remit and visibility were about to increase dramatically.

The single market programme, with a target date of 1992, was a success. Big business responded enthusiastically to the prospect of a fully integrated European marketplace.

'1992' unleashed a wave of Europhoria. The EC was more popular than at any time before or since. Eager to remove barriers to the free movement of people even before implementation of the single market programme, France and Germany agreed in 1984 to press ahead with the abolition of border checks. This led to the **Schengen Agreement** (see Box 2.2) for the free movement of people, which gradually added other member states and formally became part of the EU under the terms of the 1997 Amsterdam Treaty.

Economic and Monetary Union

The popularity of the single market programme emboldened Commission President Delors to advocate Economic and Monetary Union (EMU). He had the strong support of German Chancellor Helmut Kohl, an avowed 'Euro-federalist'. The Commission publicly justified EMU on economic grounds, as the corollary of the single market programme. But Delors and Kohl saw it primarily as a political undertaking. French President François Mitterrand also supported EMU, for both political and economic reasons. Thatcher opposed EMU vehemently, seeing it as economically unnecessary and politically unwise. Not only did Thatcher fail to turn the tide against EMU; her strident opposition to it contributed to her loss of the leadership of the Conservative Party and thus her prime ministership.

The European Council authorized Delors to set up a committee to explore the road to EMU. The Delors Report of 1989 proposed a three-stage programme, including strict convergence criteria for potential participants and the establishment of a European Central Bank with responsibility primarily for price stability. The report reflected German preferences for EMU. That was understandable, given Germany's economic weight and German obsession with inflation. Even so, opinion in Germany remained sceptical about EMU, with the politically influential German central bank (Bundesbank) opposed to it.

Planning for EMU was well on track by the time the Berlin Wall came down in November 1989. By raising again the spectre of the German question, the end of the Cold War increased the momentum for EMU. Fearful of the prospect, however remote, of a rootless Germany in the post-Cold War world, other Community leaders determined to bind Germany fully into the new Europe, largely through EMU. Kohl was more than happy to oblige and cleverly exploited the concerns of Germany's neighbours to overcome domestic opposition to EMU, especially in the Bundesbank.

Maastricht and Beyond

EC leaders convened two Intergovernmental Conferences in 1990, one on EMU and the other on political union, meaning institutional and non-EMU policy reforms. Both conferences converged in the Maastricht Treaty of 1992, which established the

European Union with its three-pillar structure (see Box 1.2). The first pillar comprised the EC, including EMU; the second comprised the Common Foreign and Security Policy (CFSP), a direct response to the external challenges of the post-Cold War period; the third covered cooperation on justice and home affairs, notably immigration, **asylum**, and criminal matters. This awkward structure reflected most member states' unwillingness to subject internal security and foreign policy to supranational decision-making. Thus the Commission and the EP were merely associated with Pillar 2 and 3 activities. Within Pillar 1, by contrast, the Maastricht Treaty extended the EP's legislative power by introducing the far-reaching **co-decision procedure**, which made the Parliament a legally and politically equal legislator to the Council of Ministers (see Chapter 3).

The further extension of the EP's legislative authority, and the introduction of the principle of **subsidiarity** (whereby decisions should be taken as closely as possible to the people compatible with effective policy delivery; see Box 2.2), demonstrated EU leaders' concerns about the organization's legitimacy. Those concerns were fully vindicated in tough ratification battles in several member states, including the UK, France, and Germany, but especially in Denmark, where a narrow majority rejected the treaty in a referendum in June 1992. Voters approved the treaty, with special concession for Denmark, in a second referendum, in May 1993. Thus the EU came into being six months later.

At issue in Denmark and elsewhere was the so-called **democratic deficit**: the EU's perceived remoteness and lack of accountability (see Chapter 8). This issue remained a major challenge for the EU into the twenty-first century. The resignation of the Commission under the Presidency of Jacques Santer in March 1999, amid allegations of fraud and mismanagement, increased popular scepticism, although it also demonstrated the Commission's accountability to the EP (the Commission resigned to avoid being sacked by the Parliament). Yet many Europeans saw the EP as part of the problem: few understood exactly the EP's role, and the turnout in subsequent elections declined yet again in 1999 and 2004. For its part, the Commission launched successive rounds of reform, while EU leaders attempted to improve **transparency** and efficiency in the decision-making process. Nevertheless, as illustrated by the negative results of the first Irish referendum on the Nice Treaty in 2001 and the Dutch and French referenda on the Constitutional Treaty in 2005, public opinion remained highly sceptical of the EU.

Despite considerable public disquiet, the post-Maastricht period saw substantial policy development. The launch of the final stage of EMU in January 1999, in keeping with the Maastricht timetable, was one of the EU's most striking achievements. Euro notes and coins came into circulation in January 2002. The strengthening of the CFSP and the initiation of a European Security and Defence Policy, largely in response to the Balkan wars and uncertainty about US involvement in future European conflicts, was another important policy development. Reform of CFSP was the main outcome of the Amsterdam Treaty, which nevertheless ducked increasingly pressing questions of institutional reform necessitated by impending enlargement.

Post-Cold War Enlargement and Constitution Building

Enlargement was a major challenge for the new EU. As a result of the end of the Cold War, three militarily-neutral European states (Austria, Finland, and Sweden) joined in 1995. (Norway, a non-neutral, again chose not to join in another referendum held in 1994.) The newly independent states of Central and Eastern Europe also applied for EU membership soon after the end of the Cold War (as did Cyprus and Malta). For the Central and Eastern European states the road to membership would be long and difficult, involving major political, economic, and administrative reforms. The slow pace of enlargement disappointed the applicant countries and their supporters in the US, who criticized the EU for being too cautious. The EU countered that enlargement, an inherently complicated process, was even more complex in view of the applicants' history, political culture, and low level of economic development. The EU's approach reflected a widespread lack of enthusiasm for enlargement among politicians and the public in existing member states. Even so, negotiations with the Central and Eastern European applicants eventually began in 1998 (with the five front-runners) and in 2000 (with the five others). Cyprus also began accession negotiations in 1998 and Malta in 2000.

Eight of the Central and Eastern European counties joined in 2004, together with Cyprus and Malta. The other two Eastern European countries, Bulgaria and Romania, joined in 2007. The EU reluctantly acknowledged Turkey as a candidate in December 1999 and, no less reluctantly, opened formal accession negotiations with it in October 2005. However, persistent popular antipathy towards Turkey, as well as specific issues such as the unresolved Cypriot question, bedevilled the country's membership prospects. The EU also began accession negotiations with Croatia in October 2005 and granted candidate status to the Former Yugoslav Republic of Macedonia at the end of the year. Earlier, the EU had acknowledged the 'European perspective' of the Western Balkans, meaning that every country in the region stood a reasonable chance of eventually becoming a member.

As Chapter 9 explains, enlargement has greatly altered the EU. The accession of so many poor, agricultural countries will continue to have a profound effect on the CAP and cohesion policy. The EU reformed both policies as part of its Agenda 2000 initiative, in anticipation of enlargement, but the results were patently inadequate. Further policy reform is inevitable and is bound to trigger bitter budgetary disputes, such as the one that preceded the agreement of December 2005 on the financial perspectives (budget) for the period 2007–13.

The EU's institutions also required reform because of enlargement. Member states avoided the contentious question of institutional reform in the Amsterdam Treaty, agreeing instead to undertake an institutional overhaul in another IGC in 2000. That conference resulted in the Nice Treaty of 2001, which changed the modalities of QMV in anticipation of enlargement, but in a way that complicated rather than clarified legislative decision-making. In other institutional areas the outcome of the 2000 IGC

was equally disappointing. The messy compromises that were struck illustrated the growing difficulty of reaching agreement among member states on institutional issues, especially those which tended to drive a wedge between France and Germany, or between the small and large member states.

Appreciating the inadequacies of the Nice Treaty, the European Council decided in December 2001 to hold a convention of national and EU-level politicians to draft a new treaty that would supersede and supposedly simplify the existing treaties. That was the genesis of the Convention on the Future of Europe of 2002–3 and ensuing IGC, which resulted in the Constitutional Treaty of June 2004. Amongst other things, the Constitutional Treaty altered the system of QMV, giving more power to the big member states; incorporated the previously-negotiated **Charter of Fundamental Rights** into the EU's legal system; called for a standing president of the European Council; and provided for an EU foreign minister. Voters in the Netherlands and France, two of the EU's founding member states, rejected the Constitutional Treaty in spring 2005, for a variety of reasons mostly unrelated to the treaty itself, ranging from domestic political considerations to concerns about the consequences of globalization and fear of further enlargement. The results of the Dutch and French referenda were a severe blow to the image and prestige of the EU but did not derail the process of European integration, to which most European politicians (if not all their publics) remained committed, as was revealed when the 2007 Reform Treaty was agreed. While less ambitious than the Constitutional Treaty (not *much* less ambitious; see Box 1.4), it marked another historically significant step towards closer European integration.

Conclusion

The history of European integration demonstrates the importance of opportunistic political leadership against a backdrop of fluctuating economic and political fortunes. Early post-war Europe threw up a number of challenges to which European leaders responded with an initiative for limited integration, with strong US support. The ECSC was far from the grand design for European integration that the US had envisioned at the time of the Marshall Plan, but it fostered reconciliation in Franco-German relations and laid an economic foundation for further European integration.

The launch of the European Community in 1958 owed more to economic necessity (potential greater trade among the Six) than geopolitical concerns (the German question), and more to European initiative than American prompting. National interests and individual initiatives also played a definitive part. Despite his aversion to supranationalism, de Gaulle appreciated the EC's economic potential and ensured the organization's initial success. De Gaulle's support for the EC, however qualified, reassured Adenauer and strengthened Franco-German relations.

The Single European Act of 1986, which revitalized the EC, and the Maastricht Treaty of 1992, which gave rise to the EU, were also products of Franco-German bargaining.

In both cases France and Germany sought to boost European competitiveness in a globalizing economic system while retaining Europe's distinctive social structure, in contrast to that of the United States. The Commission, under the energetic leadership of Jacques Delors, contributed to these developments, but only in association with France and Germany.

The dynamics of Franco-German relations and leadership in the EU are changing, not least because of enlargement. As recent treaty negotiations have shown, France and Germany are often far apart on institutional issues such as the modalities of QMV, the size and role of the Commission, and the composition of the EP. United Germany is showing signs of greater political assertiveness in the EU. Unsure of its place in the post-Cold War, rapidly-globalizing world, France often seems to lack confidence and direction. Meanwhile, enlargement is shifting the geopolitical balance of the EU eastward, in favour of Germany.

Yet the history of European integration shows how countries can overcome institutional and policy differences for the sake of common economic and political interests. The end of the Cold War changed the context of European integration but not necessarily its substance. With the challenge of globalization greater than ever before, it is in the national interest of all member states to manage the single market and monetary union, and make a success of enlargement. In a sense, they have little choice but to perpetuate European integration.

DISCUSSION QUESTIONS

1. Are France and Germany bound to lead in Europe?
2. How significant have federalist aspirations been in the history of European integration?
3. Is the United States a 'federator' of Europe?
4. What economic factors impelled European integration during various stages of its history?
5. What impact is the fate of the Reform Treaty likely to have on the process of European integration?

FURTHER READING

Dinan (2004) provides a thorough history of the EU. Dinan (2006) examines key developments in EU history and includes a chapter on the historiography of European integration. For a neofunctionalist analysis of the EC's development, see Haas (1958) and Lindberg (1963). Milward (1984, 2000) is the most influential historian of European integration. Moravcsik (1998) blends political science and historical analysis to produce liberal intergovernmentalism, and explain major developments in the history of the EU.

Duchêne (1994) is excellent on Jean Monnet, and Gillingham (1991) provides an authoritative account of the origins of the ECSC. Gillingham (2003) describes the history of European integration as a struggle between economic liberalism and centralization, personified in the 1980s by Delors and Thatcher.

Dinan, D. (2004), *Europe Recast: A History of European Union* (Boulder, CO: Lynne Rienner Publishers and Basingstoke: Palgrave).

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Gillingham, J. (1991), *Coal, Steel and the Rebirth of Europe, 1945–1955* (Cambridge: Cambridge University Press).

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Haas, E. (1958), *The Uniting of Europe: Political, Social, and Economic Forces* (Stanford, CA: Stanford University Press).

Lindberg, L. (1963). *The Political Dynamics of European Economic Integration* (Stanford, CA: Stanford University Press).

Milward, A. (1984), *The Reconstruction of Western Europe, 1945–51* (Berkeley: University of California Press).

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Moravcsik, A. (1998), *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca, NY: Cornell University Press and UCL Press).

WEB LINKS

The EU's official portal site has its own useful history page:
http://europa.eu/abc/history/index_en.htm

The Florence-based European University Institute (EUI)'s European Integration History Index provides internet resources (in all languages) on post-war European history, with a particular emphasis on the EU:
www.iue.it/LIB/SISSCO/VL/hist-eur-integration/Index.html

Visit the Online Resource Centre that accompanies this book for additional material:
www.oxfordtextbooks.co.uk/orc/bomberg2e/