

PART I

History



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What Is the European Union?

CHAPTER OVERVIEW

- Because the EU is a political arrangement that defies easy categorization, it has stirred a much more vigorous theoretical debate about how to understand it than there has been for conventional states, such as the US.
- How we approach the EU still depends in large part on how we think about the role of the state. Consequently, there are at least five ways to conceptualize the EU – as an international organization, a regional integration association, a political system in its own right, a unique entity, or something that exhibits and combines all four of these.
- Theories analyzing the EU can be divided into two broad categories: those explaining how the EU evolved and those explaining what it has become. While the first category – which includes the theories of neofunctionalism and intergovernmentalism – was long dominated by scholars of international relations, the second category has increasingly become the province of scholars of comparative politics. The latter see the EU as a political system with its own institutions, processes, procedures, and policies. In recent years the term *multi-level governance* has emerged as one way to understand the EU as a political system.

Numerous books have been published on national systems of politics and government, but rarely do they begin with a chapter defining their subject. No survey of the US, for example, would begin by asking “What is the United States?” We know that it is a country with an established and self-contained political system, with institutions bound together by laws and political processes, and for which there is a multitude of explanatory theories and an extensive political science vocabulary. But the EU is an animal of a different stripe: it is a unique political arrangement that defies easy definition or categorization and defies orthodox ideas about politics and government. It is clearly much more than a conventional international organization, but it is less than a European superstate. We do not even have a noun that comfortably describes the EU: for some it is an “actor,” but for others it is simply *sui generis*, or unique.

This uniqueness has spawned a vigorous debate over theory, which plays a much greater role in the process of trying to understand the EU than it does in understanding other political systems. Initially, the debate was dominated by explanations generated by the sub-discipline of international relations (IR). The EU was approached as an international organization, driven by decisions made among the governments of the member states; European institutions were seen as less important than national institutions, although the supranational element of the European Economic Community – those aspects of its work and personality that rose above national interests – were not ignored. Since the 1990s there has

been a reaction against the dominance of IR, and new studies of the EU have been influenced just as much by theories and analyses arising out of the subfields of comparative politics and public policy. In other words, rather than being portrayed as an international organization (albeit one with unique features and powers), the EU is now increasingly seen as a political system in its own right. A sharper spotlight is shining on the executive, legislative, and judicial features of its institutions, the channels through which EU citizens engage with the EU (such as elections, referendums, and the work of interest groups), and its public policy processes.

The field of EU studies remains fluid, however; no agreement exists among either scholars or political leaders about how best to classify and understand the EU, nor on the balance of power between EU institutions and member state governments. Although there is no shortage of competing theories of European integration, there is no single, generally accepted theoretical framework. Undaunted, this chapter introduces the EU by outlining a selection of the major concepts and theories of integration, divided into two broad categories: theories of how the EU evolved and theories of what it has become. It begins with a survey of the role of the state, then reviews attempts to understand how and why the EU emerged and developed. Finally, it examines different analyses of the structure of the EU, focusing in particular on its federal and confederal qualities.

THE ROLE OF THE STATE

The EU scholar Ben Rosamond once suggested four possible approaches to the study of the EU.¹ First, we could try to understand it as an international organization, tying it to the substantial literature on such organizations. Second, we could study it as an example of regionalism in the global economic system, and compare it to other regional blocs such as the North American Free Trade Agreement (NAFTA) or the Latin American free trade grouping named Mercosur. Third, we could approach it as an example of the dynamics of policy making in an attempt to better understand the crafting of interstate policy and how it is influenced by actors interested in the use of power. Finally, we could try to understand it purely on its own terms, as a unique organization that emerged out of a unique set of circumstances. But Rosamond's list overlooked a critical fifth option: trying to understand the EU as a political system in its own right, and comparing its structure and operating principles with those of conventional national political systems.² This approach to the EU figures prominently in the multilevel governance approach discussed below.

Of course, how we approach the EU depends in large part on how we think about the role of the state, which has for centuries dominated studies of politics and government. A state is usually defined as a legal and physical entity that (1) operates within a fixed and populated territory, (2) has authority over that territory, (3) is legally and politically independent, and (4) is recognized by its people and by other states. Most people – particularly when they cross international borders – identify themselves as citizens of a state and distinguish themselves from the citizens of other states by all the trappings of citizenship: legal residence, passports, allegiance to their national flag, protection by their home government, and a sense of belonging.

Just how long states have been important to an understanding of the ways in which societies are governed is debatable, but the 1648 Peace of Westphalia – which brought an end to two European wars and resulted in many territorial adjustments – is usually taken as a convenient starting point. Many states existed long before 1648, but Westphalia gave a new permanence to the idea of borders and sovereignty. As a result, the term *Westphalian* is

often used as shorthand by political scientists to describe the international state system that has existed since then.³

In spite of its philosophical domination, the state has many critics. States are accused of dividing humans rather than uniting them and of encouraging people to place sectional interests above the broader interests of humanity. Identification with states is often associated with nationalism – the belief that every state should be founded on a nation and that national identity should be promoted through political action. But because few states coincide with nations, and most European states in particular consist of multiple national groups, nationalism can lead to internal instability, to a belief in national superiority, to ethnocentrism, racism, and genocide, and – in the worst cases – to war within and between states. Nationalism lay at the heart of many of the disputes and wars that destabilized European politics for centuries, reaching their nadir with World War I and World War II.⁴ In the 1990s, nationalist violence tore the former Yugoslavia into several pieces, and even today several European states – the UK and Spain, for example – contain national minorities campaigning and agitating for greater self-government or even independence.

Americans have much less direct familiarity with the difficulties of nationalism than Europeans. The US for most of its history has been relatively stable and united, avoiding the kinds of nationalist pressures and jealousies that have long brought stress to European societies. It had a civil war, but the conflict centered primarily on the issue of slavery and was further fueled by economic pressures. Internal nationalist or ethnic divisions have rarely been an issue for Americans, who – as a result – often find it difficult to understand nationalism in Europe. But it has long formed the core of European political, economic, and social developments.

Criticisms of the state contributed to the growth of international cooperation in the twentieth century, particularly after 1945. Seeking to reduce tensions and promote cooperation, states signed international treaties, reduced barriers to trade, worked together on shared problems, and formed a network of international organizations (IOs). Usually defined as bodies that promote voluntary cooperation and coordination between or among their members but have neither autonomous powers nor the authority to impose their rulings on their members, IOs are mainly a product of the second half of the twentieth century. By one estimate, there were fewer than 220 IOs in 1909, about 1,000 in 1951, and about 4,000 in 1972. Then came the era of growth: by 1989 there were nearly 25,000 IOs in the world, and today there are more than 70,000.⁵ They include intergovernmental organizations (IGOs) – which consist of representatives of national governments and promote voluntary cooperation among those governments – and international nongovernmental organizations – consisting of individuals or the representatives of private associations rather than states. The most prominent example of an IGO is the United Nations.

The growth of IOs has led to the building of institutions in which states can attend to matters of mutual interest, the agreement of international treaties, the reduction and removal of trade barriers, and – in some cases – regional integration. This does not mean that states surrender their separate legal, political, economic, social, or national identities, but rather that they pool authority in selected areas and set up shared institutions with restricted powers. The ultimate expression of integration would be full political union, where states would create a new level of joint government and surrender or transfer most of their existing powers. This outcome is what some hope will happen with the EU, while others regard it as the most dangerous risk of integration.

Integration involves the surrender, transfer, or pooling of sovereignty: the rights of jurisdiction that states have over their people and territory and that cannot legally be challenged by any other authority. Regional institutions are authorized to coordinate the making of new

rules and regulations to which their member states are subject, although their work is restricted to the policy areas in which the member states have agreed that they should work together rather than separately, and the members collectively have the final say on the adoption of common rules and regulations. Regional institutions do not have powers of enforcement – they may be able to fine or embarrass members into action, but the execution of laws and policies is left to the governments of the member states.

HOW DID THE EU EVOLVE?

The underlying motive behind European integration has always been peace. Exasperated by the frequency with which Europeans had gone to war over the centuries, and determined after 1945 to create a permanent peace, a number of thinkers outlined what they saw as the necessary conditions. Federalists argued that postwar Europe needed to be rebuilt on the basis of a complete break with the past, replacing national states with a new European federation. Federalism was based on the idea that states had lost their political rights because they could not guarantee the safety of their citizens⁶ and that political integration would beget economic, social, and cultural integration. The European Union of Federalists was created in 1946 with this view in mind, but their plan was too radical for the tastes of many, and by the time they met at their first congress in 1948, national political systems were being rebuilt and the moment (assuming there ever had been one) had passed. All they were able to agree on was the creation of the Council of Europe, which had the more modest goal of intra-European cooperation.

A contrasting philosophical option came from David Mitrany, a Romanian-born British social scientist. He was interested in the achievement of world peace more generally, not European integration – in fact, he opposed regional unification because he felt it would replace international tensions with interregional ones – and yet his ideas formed the starting point for discussions about the road to integration. Mitrany saw nationalism as the root of conflict and argued that states should be bound together by a network of international agencies that built on common interests and had authority in functionally specific fields.⁷ In other words, the economic and functional ties would precede the political ties. These agencies would be executive bodies with autonomous powers and would perform some of the same tasks as national governments, only at a different level; governments would slowly find themselves living in a web of international agencies and less capable of independent action.⁸

The idea behind functionalism was to “sneak up on peace” by promoting integration in relatively noncontroversial areas such as postal services or a particular sector of industry, or by harmonizing technical issues such as weights and measures.⁹ Success in one area would encourage cooperation in others, and national sovereignty would gradually decline, to be replaced by a new international community. But the story did not unfold as Mitrany had hoped because states did not give up significant powers to new international organizations.

American political scientists Ernst Haas and Leon Lindberg were among the first to try to understand European integration in particular, and their deliberations resulted in the adaptation of Mitrany’s theories as neofunctionalism. Their thinking was in part a response to realism, then the dominant theory in IR, which argued that states were the most important actors in international relations, that domestic policy could be clearly separated from foreign policy, and that rational self-interest and conflicting national objectives spurred states to protect their interests relative to other states. Realists talked of an anarchic global system in

which states used both conflict and cooperation to ensure security through a balance of power among states. By contrast, Haas tried to understand how and why states voluntarily mingled, merged, and mixed with their neighbors while acquiring new techniques for resolving conflict.¹⁰ He saw territorially based governing organizations as important “agents of integration”¹¹ and argued that once governments had launched the process of integration, it would take on a life of its own (an “expansive logic”) through the phenomenon of “spillover.” Lindberg described this as a process by which “a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action.”¹² In other words, cooperation in one sphere (for example, in one area of the economy) would “spill over” to cooperation in other spheres, thus leading to greater economic, policy, and political integration of sovereign states.

Box 1.1 Spilling Over: Stages in Regional Integration

The concept of spillover has been applied to the process by which economic ties can move a group of states from limited economic integration to full political union. If there were a logical progression to this process in the EU, it might look something like this:

- 1 Two or more states create a *free trade area* by eliminating internal barriers to trade (such as tariffs and border restrictions) while keeping their own external tariffs against nonmember states. This happened in the European Economic Community (EEC) in the 1960s, and the US, Canada, and Mexico have been engaged in a less ambitious attempt since 1994 with NAFTA (now renamed “The US–Mexico–Canada Agreement” or USMCA).
- 2 The growth of internal free trade increases the pressure on the member states to agree to a *common external tariff*; otherwise all the goods coming into the free trade area from the outside would come through the country with the lowest tariffs. Agreement on a common external tariff creates a *customs union*. This happened in the EEC in 1968.
- 3 The reduction of internal trading barriers expands the size of the market available to agriculture, industry, and services, so these sectors want to expand their operations throughout the customs union. This increases investment in those countries and increases the demand for the removal of barriers to the movement of capital and labor, creating a *single market*. The European single market was more or less completed by the early 1990s.
- 4 With people moving more freely within the single market, pressure grows for coordinated policies on education, retraining schemes, unemployment benefits, pensions, health care, and other services. This in turn increases the demand for coordinated interest rates, stable exchange rates, common policies on inflation, and ultimately a *single currency*, thereby creating an *economic union*. A case in point: those EU states that have adopted the euro.
- 5 The demands of economic integration lead to growing political integration as the governments of the member states work more closely and more frequently together. The pressure grows for common policies in many other sectors, including foreign and defense policy, resulting in full *political union*. Although the EU has made progress in this direction, the idea of full political union remains controversial.

Consider the following specific examples which illustrate how spillover could explain the evolution of EU integration:

- *Functional spillover* implies that economies are so interconnected that if states integrate one sector of their economies (for example, coal and steel), it will lead to the integration of other sectors.¹³ Functional IGOs would have to be created to oversee this process, the power of national government institutions would decline, and political union would eventually result (for further discussion of this, see Box 1.1).
- *Technical spillover* implies that disparities in standards will cause states to rise (or sink) to the level of those with the tightest (or loosest) regulations. For example, Greece and Portugal – which had few environmental controls before they joined the EU – adopted such controls because of the requirements of EU law, which in turn had been driven by pressures from states with tight environmental controls, such as Germany and the Netherlands.
- *Political spillover* implies that once different functional sectors are integrated, interest groups (such as corporate lobbies and labor unions) will switch from trying to influence national governments to trying to influence regional institutions, which will encourage their attempt to win new powers for themselves. The groups will appreciate the benefits of integration, and politics will increasingly play out at the regional rather than the national level.¹⁴ Corporate lobbies and labor unions are already following this blueprint in the EU, although they remain very involved at the national level as well.

Joseph Nye added a new dimension to the debate in 1971 by taking neofunctionalism out of the European context and looking at non-Western experiences. He concluded that regional integration involved an “integrative potential” that depended on several conditions:

- The economic equality or compatibility of the states involved.
- The extent to which the elite groups that control economic policy in the member states think alike and hold the same values.
- The extent of interest group activity, or pluralism. (The extent of interest group activity at the European level shows that many corporate and public interest groups see Brussels as an important focus for lobbying.)
- The capacity of the member states to adapt and respond to public demands, which depends in turn on levels of domestic stability and the capacity – or desire – of decision makers to respond.¹⁵

On almost all of these counts, the EU has long had a relatively high integrative potential, in contrast to the NAFTA/USMCA parties. The US and Canada may act as strong forces for integration, but they are much wealthier than Mexico in both per capita and absolute terms. Elite groups in Mexico have historically been more strongly in favor of state intervention in the marketplace than are those in the US and Canada, labor unions in the US have been critical of NAFTA (and one of the drivers behind the renegotiated USMCA), and public opinion in Mexico is more controlled and manipulated than it is in the US and Canada. The agreement between the US, Mexico, and Canada has not had a significant impact on closing the gaps so far, and many obstacles remain to the development of the North American single market; not least of these is the fear north of the Rio Grande about immigration from Mexico (and from other countries in Central America using Mexico as a transit country), and the destabilizing effects of Mexican drug violence (see Box 1.2).

Box 1.2 What Makes NAFTA/USMCA Different from the EU?

Although Europeans have traveled far along the road of regional integration, North Americans are at a much earlier stage in the journey. NAFTA has been a more modest exercise in free trade that has raised some of the same economic and political questions in the US, Canada, and Mexico as have been raised in Europe by the EU.¹⁶ An outgrowth of the Canada–US Free Trade Agreement, it was signed in 1988 and came into effect on January 1, 1989, aimed at reducing barriers to trade between Canada and the US. This pact evolved into NAFTA with the signing of a treaty in December 1992 that expanded free trade to Mexico, effective on January 1, 1994. After President Trump took office, he was highly critical of NAFTA and threatened a trade war with both Canada and Mexico. Consequently, he then negotiated a new agreement to supersede NAFTA, the USMCA. NAFTA and the USMCA are similar in their scope – although the terms of trade in the agreements vary – with most observers seeing the USMCA as a more narrowly circumscribed trade agreement than NAFTA.

The original goals of NAFTA aimed to

- Phase out all tariffs on textiles, apparel, cars, trucks, vehicle parts, and telecommunications equipment by 2004
- Phase out all barriers to agricultural trade by 2009
- Open up the North American advertising market
- Allow truck drivers to cross borders freely
- Allow banks, securities firms, and insurance companies total access to all three markets
- Loosen rules on the movement of corporate executives and some professionals.

But progress has been modest. Trade between the US and Canada is booming, yet they already had one of the world's biggest and most successful trade relationships before NAFTA was initiated. US–Mexican trade has grown, leading to the creation of more jobs in the US, but how much of this growth is due to NAFTA and how much would have happened anyway is hard to say. Despite some job losses in the US, as labor unions predicted, this trend was already discernible before NAFTA was signed. Moreover, there is no evidence that the overall unemployment rate in the US worsened as a result of NAFTA, and outsourcing has resulted in many more jobs moving to other parts of the world than to Mexico.

The opening of borders was slowed first by concerns about illegal immigration and international terrorism, and then by the drug war that broke out in Mexico in 2007. There is general political agreement in the US that NAFTA has helped promote economic growth in Mexico, but there has been only limited economic convergence between Canada and the US on the one hand and Mexico on the other; although significant progress has been made, Mexico still needs to do far more to free up its economy and to invest in education and infrastructure. Moreover, there has been little enthusiasm for working toward a common external tariff or customs union (see Box 1.1). Finally, there has also been no growth in common institutions. No institutions were initially created beyond two commissions that can arbitrate in disagreements over environmental standards and working conditions: NAFTA (and now USMCA) still has only small secretariats based in Washington, Ottawa, and Mexico City. In short, little evidence exists of neofunctionalism at work in North America.

Neofunctionalism dominated studies of European integration during the 1950s and 1960s but briefly fell out of favor during the 1970s, which Haas explained by arguing that it lacked strong predictive capabilities.¹⁷ However, two additional problems stood out. First, the process of integrating Europe seemed to have ground to a halt in the mid-1970s, undermined in part by the failure of the European Commission (the Community's main executive body) to provide the kind of leadership that was vital to the idea of neofunctionalism. Second, the theory of spillover needed more elaboration. Critics of neofunctionalism argued that it was too linear, that it needed to be expanded or modified to accommodate different pressures for integration, and that it must be seen in conjunction with other influences.

One of the earliest responses to neofunctionalism was offered by Stanley Hoffmann, who in the mid-1960s countered that neofunctionalism concentrated too much on the internal dynamics of integration without paying enough attention to the global context. He instead argued that the process was best understood as intergovernmental, and while nonstate actors played an important role, the pace and nature of integration was ultimately driven by national governments pursuing national interests. They alone had legal sovereignty, they alone had the political legitimacy that came from being elected, and they alone ultimately determined the pace of integration.¹⁸

A variation on this theme is liberal intergovernmentalism, associated with scholars such as Paul Taylor, Robert Keohane, and Andrew Moravcsik. Emerging in the 1980s and 1990s, it combines the neofunctionalist view of the importance of domestic politics with recognition of the role of the EU member state governments in making major political choices; in other words, the positions of the governments of the member states are decided at the domestic level, and then European integration moves forward as a result of intergovernmental bargains reached at the European level.¹⁹ As outlined by Moravcsik, integration advances as a result of a combination of factors such as the commercial interests of economic producers and the relative bargaining power of major governments.²⁰

WHAT HAS THE EU BECOME?

Most of the early theoretical debates about the EU focused on trying to explain how it had evolved. With time, the focus began to shift to attempts to explain what the EU had become and how it worked. But here too there have been many disagreements and few generally accepted conclusions. On the one hand, the EU has some of the qualities of an international organization: its members are nation states, membership is voluntary, the balance of sovereignty lies with the member states, decision making is consultative, and the procedures used are based on consent rather than compulsion. On the other hand, the EU also has some of the qualities of a state: it has internationally recognized boundaries (even if these have changed quite dramatically over a short period of time as the EU has gone through cycles of enlargement), there is a European system of law to which all member states are subject, it has increasing authority to influence and control the lives of Europeans, in many policy areas the balance of responsibility and power has shifted to the European level, and in some areas – such as trade – it has become all but sovereign and is recognized by other states as an equal player.

However, it is neither one nor the other, and all we can say with any certainty – as noted earlier – is that the EU is more than a conventional international organization but less than a European superstate. The critical issues are (1) the relative powers of the member states and the EU institutions and (2) just where the EU sits on the continuum between intergovernmentalism (where key decisions are made as a result of negotiations among representatives of

the member states) and supranationalism (the EU is a network of autonomous governing bodies that have the power and authority to make decisions above the level of the member states and in the interests of the EU as a whole).

Some have questioned the assumption that intergovernmentalism and supranationalism are two extremes on a continuum. Mitrany argued that governments cooperated out of need and that this was “not a matter of surrendering sovereignty, but merely of pooling as much of it as may be needed for the joint performance of the particular task.”²¹ Keohane and Hoffmann agree, arguing that the EU is “an experiment in pooling sovereignty, not in transferring it from states to supranational institutions.”²² Leon Lindberg and Stuart Scheingold believe that the relationship between the EU and its member states is more symbiotic than competitive.²³ Haas argued that supranationalism did not mean that EU institutions exercised authority over national governments but rather that it was a process or a style of decision making in which “the participants refrain from unconditionally vetoing proposals and instead seek to attain agreement by means of compromises upgrading common interests.”²⁴

For some critics, the key problem with the intergovernmental/supranational debate is that it treats the EU as an international organization and diverts attention away from looking at the EU as a political system in its own right. Instead of being so much influenced by the thinking of IR, they argue, perhaps we should be looking more at the methods of comparative politics.²⁵ In 1994, Simon Hix proposed that those methods could help us understand how governmental power was exercised in the EU, how Europeans related to EU institutions, and how European government was influenced by political parties, elections, and interest groups.²⁶ In other words, instead of studying the EU as a process, we should better understand how it actually works today.²⁷

Hix was influenced by new institutionalism, an approach to the study of national and comparative politics that tried to revive the focus on the importance of institutions, superseded since the 1960s and 1970s by behavioralism, which had shifted attention away from institutions and toward political processes, such as the influence of interest groups. Behavioralists saw institutions as neutral arenas in which different groups competed for influence, but new institutionalists argued that structures and rules biased access to the political process in favor of some groups over others, and that institutions could be autonomous political actors in their own right.²⁸

One of the handicaps faced by comparative politics approaches is the absence of a clearly identifiable European government. The term *government* typically applies to the institutions and officials (elected or appointed) that make up the formal governing structure of a state and have the powers to make laws and set the formal political agenda. But while the EU has a group of “governing” institutions and several thousand formally employed officials, there is no EU government as such. Instead, many prefer to use the term *governance* to describe the system of authority in the EU. This refers to an arrangement in which laws and policies are made and implemented without the existence of a formally acknowledged set of governing institutions, but instead as a result of interactions involving a complex variety of actors, including member state governments, EU institutions, interest groups, and other sources of influence. Taking this idea a step further, some use the term *multilevel governance* to explain how the EU is structured. This describes a system in which power is shared among the supranational, national, subnational, and local levels, with considerable interaction among them.²⁹

In many ways, multilevel governance is just a more subtle and complex expression of the idea of federalism, which has received relatively little attention by scholars of the EU; as Rosamond notes, no famous names appear in the academic debate about European federalism to compare with Mitrany and Haas,³⁰ in spite of the controversy that surrounds

public debates in Europe about federalism. For its supporters, Europe has stopped disappointingly short of becoming a federal union, while for its critics federalism has become a code word for fears of the dangers inherent in the surrender of national sovereignty. This aversion probably comes as a surprise to most Americans and Canadians, raised in federal systems that are at the core of an understanding of the American and Canadian political systems and are rarely seriously questioned (even if they are often misunderstood).

In addition to one of the most prominent federal states in the world – the US – there are about two dozen federations today, including Australia, Austria, Belgium, Brazil, Canada, Germany, India, and Nigeria.³¹ In each of these countries, national and local units of government coexist within a system of shared and independent powers, but none has supreme authority over the other. The national (or federal) government usually has sole power over foreign and security policy; there is a single currency and a common defense force; a national system of law coexists with local legal systems; there is a written constitution and a court that can issue judgments on disputes between the national and local units of government; and there are at least two levels of government, bureaucracy, and taxation: national and local.

In the US system, federalism prohibits the states from having their own currencies, maintaining a military in peacetime, making agreements with other states or foreign nations, engaging in war, or – without the consent of Congress – levying taxes on imports or exports. The federal government cannot unilaterally redraw the borders of a state, impose different levels of tax by state, give states different levels of representation in the US Senate, or amend the Constitution without the support of three-quarters of the states. Meanwhile, the states reserve all the powers not expressly delegated to the federal government or prohibited to them by the federal government. A key feature of successful federalism in the US (and also in other strong democracies, such as Germany, Austria, and Australia) is the shared sense of identity of its citizens, the vast majority of whom place their primary loyalty to their country above their loyalty to the states, provinces, or regions in which they live.

Federalism is comparatively poorly understood by most Europeans, partly because they have had little direct experience with the concept: only three EU member states (Austria, Belgium, and Germany) are federations. The EU itself is not a federation because its member states can still do almost everything that the states in the US model (or provinces in the Canadian model) cannot do: they make treaties with other countries, make many independent decisions on interstate trade, operate their own currencies (in the case of the UK, Denmark, Sweden and – at the present time – most of the newer EU states), maintain their own armies, and go to war. The EU institutions, meanwhile, possess few of the powers of the American or Canadian federal governments: they cannot levy income taxes, they have a very thin common security policy and no real common military, and while they can negotiate with the rest of the world on behalf of the member states, these negotiations still do not cover all policy areas. And yet federalism remains an important analytical tool, because the EU has some of the features of a federal system of government:

- There is a system of European laws that coexists with national systems and is protected by the European Court of Justice.
- There is a directly elected European Parliament that coexists with national and sub-national legislatures.
- There is a common budget, and a single currency in most of the member states.
- There is a common executive body (the European Commission) that has the authority to oversee external trade negotiations on behalf of all the member states and can sign international treaties on behalf of the member states.

- The member states of the EU are increasingly defined not by themselves but in relation to their EU partners.³²

Federalism is not an absolute or a static concept, and it has taken different forms in different situations according to the relative strength and nature of local political, economic, social, historical, and cultural pressures. In the US, for example, while the balance of power originally favored the states, a gradual shift toward the center has resulted in both historical trends toward greater national unity and the growth of federal government programs that have made states more dependent. In India, by contrast, political fragmentation in recent years has seen the states develop greater self-determination and a new prominence in national politics, particularly through the influence of regional political parties.

A second idea, which appears with even less frequency in debates about the EU, is confederalism. If a federation is a union of peoples living within a single state, then a confederation is a union of states.³³ *Confederalism* describes a system of administration in which two or more states pool limited amounts of authority in a common supranational government. In a federal system, power is divided between national and local units of government, both of which exercise authority over – and are answerable directly to – the citizens. In a confederal system, by contrast, power rests with independent states, the central government derives authority from the states, and no direct link exists between the central government and the citizens. The states transfer specified powers to a higher authority for reasons of convenience, collective security, or efficiency. Where federalism involves the local units surrendering power over joint interests to a new and permanent national level of government, the units of a confederation are sovereign, and the higher authority is relatively weak; it exists at the discretion of the local units and can do only what they allow it to do.

Among the few examples of state confederalism in practice are Switzerland from the medieval era until 1789, and then again from 1815 to 1848; the Netherlands from 1579 to 1795; the US from 1781 to 1789; and Germany from 1815 to 1866.³⁴ In the case of the US, the assumption was that the original states might eventually cooperate enough to form a common system of government, but the 1781 Articles of Confederation created little more than a “league of friendship” that could declare war and conclude treaties, but could not levy taxes or regulate commerce, and the army depended on state militias for its support. There was no national executive or judiciary, and Congress (in which each state had one vote) rarely met.

For its part, Switzerland was more purely confederal until 1789, and although it now claims to be a federation, it has given up fewer powers to the national government than has been the case in the US. The Swiss encourage direct democracy by holding national and local referendums, have a federal assembly elected by proportional representation, and are governed by a federal council elected by the assembly. One of the members of the council is appointed to a one-year term as head of state and head of government.

The EU is confederal in several ways.

- Although the member states have transferred authority to the EU institutions, they still control the bulk of the power of negotiation and bargaining.
- The member states are still distinct units with separate identities, have their own national defense forces and policies, can sign bilateral treaties with other states, and can argue that the EU institutions exist at their discretion.
- It is a voluntary association. A member state could leave the EU if it wished, and its action would not legally be defined as secession (e.g., Brexit). Attempts to leave federations, by contrast, have almost always been defined as secession and have usually led to

civil war (as happened with the attempted secession of the Confederacy from the US in 1861, of Chechnya from Russia since 1994, and of Kosovo from Yugoslavia in 1998).

- The only direct link between citizens and the EU institutions is the European Parliament. With the Commission, the Council of the EU, and the European Council, authority derives mainly from the governments of the member states, and representation is indirect.
- There is no European government in the sense of Europe-wide elected leaders, such as a president (more on this in Chapter 6), a foreign minister, and a cabinet, and there exists only a variable sense of European identity among the inhabitants of the EU.
- The EU may have its own flag and anthem, but most citizens still hold a higher sense of allegiance toward national flags, anthems, and other symbols, and progress toward building a sense of European citizenship has been mixed.

Surprisingly little has been published on confederation as a general concept, let alone on the EU as a confederation. Perhaps part of the problem is that confederalism falls short of what the most enthusiastic European federalists envision for Europe, while still going too far for most Euroskeptics. Another part of the problem may be that, in those few cases where confederalism has been tried, it has either failed or has evolved ultimately into a federal system. One study of Europe as a confederation was offered in 1981 by Murray Forsyth, who argued that studies of federalism seemed to have little connection with the realities of European integration and that the study of historical examples of confederations revealed that the EEC was clearly an economic confederation in both content and form.³⁵ Frederick Lister agrees, describing the EU as a “jumbo confederation” whose member states and governments continue to dominate the EU’s institutions.³⁶

Through all the debate over how the EU evolved, and what it has become, this much is clear: there is little agreement among either scholars of the EU or European leaders about how best to understand the EU. Explanations coming out of IR still dominate, but it is clear that the EU has stretched far beyond being an international organization and that there is more to its character than a series of intergovernmental bargains. Although many now believe that the EU should be seen as a political system in its own right, comparable in many ways to a conventional state, it is unclear just how far the comparisons can go. Paul Magnette, for example, is certain that the EU cannot become a state because its budget is too small, because its institutions tend to perpetuate divisions rather than override them, and because it is not a military power.³⁷ Just what final form the EU will take is anyone’s guess, especially given the uncertainty that the crisis in the eurozone and Brexit have engendered. It might remain a somewhat loose association of states, it might become a tighter United States of Europe with significant economic and political integration, or it might remain unique. The past offers little real certainty about the future.

QUESTIONS TO CONSIDER

- 1 In what ways does the EU today challenge traditional notions of the state and its importance to understanding the world of international politics? In what ways does the EU confirm the continuing importance of the state?
- 2 How might the proponents of neofunctionalism and the proponents of intergovernmentalism view the European debt crisis and the EU’s response to it?
- 3 How helpful is the US model of federalism – or the earlier Articles of Confederation – in understanding the political system of the EU?

NOTES

- 1 Ben Rosamond, *Theories of European Integration*, 14–16 (New York: St. Martin's Press, 2000).
- 2 Rosamond only refers to comparative politics later in his book, particularly on pages 105–108 and 157–164.
- 3 For a discussion of the effects of globalization on the Westphalian system, see Robert J. Holton, *Globalization and the Nation State*, 2nd ed. (New York: Palgrave Macmillan, 2011). For examples of some of the debates involved, see James Caporaso, ed., *Continuity and Change in the Westphalian Order* (Malden, MA: Blackwell, 2000).
- 4 For a useful reader on the history and meaning of nationalism, see Anthony D. Smith, *Nationalism: Theory, Ideology, History*, 2nd ed. (Cambridge: Polity Press, 2010).
- 5 Union of International Associations at <https://uia.org/>, accessed December 12, 2019.
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- 7 David Mitrany, *A Working Peace System*, 27 (Chicago: Quadrangle, 1966).
- 8 Mitrany, *A Working Peace System*, 27–31, 72.
- 9 Leon N. Lindberg and Stuart A. Scheingold, eds., *Regional Integration: Theory and Research*, 6 (Cambridge, MA: Harvard University Press, 1971).
- 10 Ernst B. Haas, "The Study of Regional Integration: Reflections on the Joy and Anguish of Pretheorizing," *International Organization* 24 (1970): 607–646.
- 11 Ernst B. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950–1957*, 29 (Stanford, CA: Stanford University Press, 1958).
- 12 Leon N. Lindberg, *The Political Dynamics of European Economic Integration*, 10 (Stanford, CA: Stanford University Press, 1963).
- 13 For examples, see Ian Bache, Stephen George, and Simon Bulmer, *Politics in the European Union*, 3rd ed., 15 (Oxford: Oxford University Press, 2011).
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- 15 Joseph S. Nye, "Comparing Common Markets: A Revised Neofunctionalist Model," in *Regional Integration*, edited by Lindberg and Scheingold, 208–214.
- 16 See Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA Revisited: Achievements and Challenges* (Washington, DC: Institute for International Economics, 2005); Stephen Clarkson, *Does North America Exist? Governing the Continent after 9/11 and NAFTA* (Toronto: University of Toronto Press, 2008); Sidney Weintraub, ed., *NAFTA's Impact on North America: The First Decade* (Washington, DC: Center for Strategic and International Studies, 2004).
- 17 Ernst B. Haas, *The Obsolescence of Regional Integration Theory* (Berkeley: Institute of International Studies, University of California, 1975).
- 18 Stanley Hoffmann, "The European Process at Atlantic Crosspurposes," *Journal of Common Market Studies* 3 (1964): 85–101, and "Obstinate or Obsolete? The Fate of the Nation State and the Case of Western Europe," *Daedalus* 95 (1966): 862–915.
- 19 A newer variation on intergovernmentalism ("deliberative intergovernmentalism") suggests that while EU states see the need for common action, they try to avoid simply ceding powers to supranational EU institutions and instead try to find new ways to achieve decentralized consensual decisions. See Uwe Putter, *The European Council and the Council: New Intergovernmentalism and Institutional Change* (Oxford, UK: Oxford University Press, 2014). For a discussion of other theories of integration beyond neofunctionalism and intergovernmentalism, see Sabine Saurugger, *Theoretical Approaches to European Integration* (New York and London: Palgrave Macmillan, 2014).
- 20 Andrew Moravcsik, "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach," *Journal of Common Market Studies* 31 (1993): 473–524, and *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca, NY: Cornell University Press, 1998).
- 21 David Mitrany, "The Functional Approach to World Organisation," in *The New International Actors: The UN and the EEC*, edited by Carol A. Cosgrove and Kenneth J. Twitchett (London: Macmillan, 1970).

- 22 Robert O. Keohane and Stanley Hoffmann, "Conclusions: Community Politics and Institutional Change," in *The Dynamics of European Integration*, edited by William Wallace, 277 (London: Royal Institute for International Affairs, 1990).
- 23 Leon N. Lindberg and Stuart A. Scheingold, *Europe's Would-Be Polity: Patterns of Change in the European Community*, 94–95 (Englewood Cliffs, NJ: Prentice Hall, 1970).
- 24 Ernst B. Haas, "Technocracy, Pluralism and the New Europe," in *A New Europe?*, edited by Stephen R. Graubard, 66 (Boston: Houghton Mifflin, 1964).
- 25 See Alberta Sbragia, "Thinking about the European Future: The Uses of Comparison," in *Euro-Politics: Institutions and Policymaking in the "New" European Community*, edited by Alberta Sbragia (Washington, DC: Brookings Institution, 1992).
- 26 Simon Hix, "The Study of the European Community: The Challenge to Comparative Politics," *West European Politics* 17, no. 1 (1994): 1–30.
- 27 Simon Hix and Bjørn Høyland. *The Political System of the European Union*, 3rd ed. (London: Palgrave Macmillan, 2011).
- 28 For details, see Bache, George, and Bulmer, *Politics in the European Union*, 28–29.
- 29 Gary Marks, "Structural Policy and Multi-Level Governance in the EC," in *The State of the European Community*, vol. 2, edited by Alan Cafruny and Glenda Rosenthal (Boulder: Lynne Rienner, 1993). For elaboration, see Lisbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration* (Lanham, MD: Rowman and Littlefield, 2001).
- 30 Rosamond, *Theories of European Integration*, 23.
- 31 The study of comparative federalism has undergone significant growth in recent years. See, for example, Finn Laursen, ed., *The EU and Federalism: Politics and Policies Compared* (Aldershot: Ashgate, 2011); Michael Burgess, *Comparative Federalism: Theory and Practice* (London: Routledge, 2006); and Anand Menon and Martin Schain, eds., *Comparative Federalism: The European Union and the United States in Comparative Perspective* (Oxford: Oxford University Press, 2006).
- 32 Laursen, *The EU and Federalism*.
- 33 Frederick K. Lister, *The European Union, the United Nations, and the Revival of Confederal Governance*, 106 (Westport, CT: Greenwood, 1996).
- 34 Murray Forsyth, *Unions of States: The Theory and Practice of Confederation* (Leicester, UK: Leicester University Press, 1981).
- 35 Forsyth, *Unions of States*, x, 183.
- 36 Lister, *The European Union, the United Nations, and the Revival of Confederal Governance*, chapter 2.
- 37 Paul Magnette, *What Is the European Union?*, 195–98 (New York: Palgrave Macmillan, 2005).

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Origins

The Road to Paris and Rome

CHAPTER OVERVIEW

- Although unity and cooperation were frequently suggested as a solution to Europe's long history of conflict, a peaceful European community was really only possible after World War II. The main legacy of the war was a fundamental reordering of the international system into a new bipolar world dominated by the US and the Soviet Union. American economic leadership ameliorated the continent's dire postwar economic needs and created the conditions for a prosperous Europe to emerge. At the same time, the security umbrella offered by the US provided Europe with the crucial space it needed to start addressing its long-term political problems.
- Meanwhile, recognition of the relative decline of Europe's power in the wake of frictions with the US in the 1950s led its governments to seek a greater degree of cooperation that would, some argued, lead eventually to political and economic integration and a common European identity. A first step toward these goals was the creation of the European Coal and Steel Community (ECSC), which dismantled some national tariff barriers and subsidies while creating a set of supranational governing institutions.
- Despite its importance as a stepping stone toward creating an economic union, the ECSC was limited in scope. Accordingly, leaders of the ECSC signed the Treaty of Rome, which sought to forge deeper economic integration among its member states. Rome also created institutions that continue to be used, in modified forms, in today's EU.

The roots of the EU lie in soil created by hundreds of years of conflict among the peoples of Europe. Many had long dreamed of unity as an answer to Europe's divisions and conflicts, and ideas for the creation of institutions and processes that might help bring Europeans together date back to medieval times. But it was only after World War II that a broader and more receptive audience emerged. Although Europe enjoyed military and economic dominance before the war, World War II dealt these a severe blow. Subsequently, Europe found itself both divided and threatened by a cold war in which the main protagonists were external powers: the US and the Soviet Union. The time was clearly ripe for Europeans to protect themselves from each other and to regroup in order to defend themselves from external threats potentially more destructive than any they had ever faced before.

The US created a recipe for the emergence of the EU by offering three essential ingredients that gave Europeans the luxury of more time and resources to address their internal problems. Ingredient one was the economic opportunity offered by US aid in the postwar reconstruction of Western Europe, embodied in 1948–1951 by the Marshall Plan, which invested billions of dollars in helping address the devastation caused by war. Ingredient two

was the economic leadership offered by the Bretton Woods system, underpinned by US support for free trade and by the emergence of the US dollar as the linchpin of the international monetary system. Ingredient three was the security umbrella provided by the US in the defense of Western Europe against the Soviet threat, given heft in 1949 with the creation of the North Atlantic Treaty Organization (NATO).

Still, Europe's threats after World War II were not just external. Indeed, the largest threat to Europe remained nationalism, which had been at the heart of repeated conflict over the centuries, and had most recently been glorified, abused, and discredited by fascism and Nazism. Because the German brand fueled three major wars in seventy years, many now argued that peace was impossible unless Germany could be contained and its power diverted to constructive rather than destructive ends. It had to be allowed to rebuild its economic base and its political system in ways that would not threaten European security; France was particularly eager to ensure this outcome.¹ Perhaps if a new European identity could supersede multiple national identities, the cycle of conflict might be broken.

Unintentionally, the US helped push Western Europe toward this goal of European unity and identity by pursuing policies – particularly on the security front – that alarmed many Europeans. From the Korean War and continuing through the Suez crisis of 1956 and several major world events in the 1960s, transatlantic disagreements helped encourage Europeans to build stronger ties among themselves with a view to allowing Europe to build a stronger position as a global actor. Yet this goal demanded a concrete pathway to encourage a greater sense of unity and common purpose than they had ever been able to achieve before. The key would be to tamp down ambitions and develop a formula that could encourage Europeans to see the logic behind cooperation as well as produce tangible results as quickly as possible. The first move in this direction was taken with the creation in 1951 of the ECSC, designed to prove a point about the feasibility of European integration.

While the creation of the ECSC was an important first step toward unity, it was limited in its scope. Any move toward political integration and a common European identity would depend upon further economic integration. Accordingly, in 1957 members of the ECSC – France, West Germany, Italy, and the three Benelux countries – took matters further by creating the European Economic Community (EEC), which had the more ambitious goal of creating a single European market.

THE TAMING OF EUROPE

Americans sometimes think of Europe as a continent almost frozen in the past, a kind of cultural museum with centuries of history, timeless traditions, and relatively little social or political change. Nothing could be further from the truth. A long history it indeed has, but it is a history of constant change, of sometimes great political violence, and of almost unceasing social disturbance. Proposals for various kinds of international or regional bodies that might be the seeds of a European system of government, and thus the bridge to cooperation and unity, had often been put forward. But national, social, or religious divisions always won out, and it was only brute force that ever took Europe close to the goal of regional unity.

The term *European* was not generally used until 800, when Charlemagne was crowned Holy Roman Emperor by the pope and was described in poems as the king and father of Europe. Later champions of European unity were often motivated by their belief that a united Christian Europe was essential for the revival of the Holy Roman Empire and by concerns about Europe's insecurity in the face of gains by the Turks in Asia Minor.² Among

those thinkers and philosophers who explored the theme of peace through unity several stand out: Jean-Jacques Rousseau favored a European federation; Jeremy Bentham in 1789 proposed a European assembly and a common army; Immanuel Kant in 1795 argued that peace could be achieved through integration; and the Comte de Saint-Simon published a pamphlet in 1814, *The Reorganization of the European Community*, arguing the need for a federal Europe with common institutions, but within which national independence would be maintained and respected. Meanwhile, Napoleon tried to unify the continent by force, a project that ultimately failed as Europe by the end of the nineteenth century descended into nationalism and military rivalry between states.

The horrors of World War I (1914–1918) resulted in an audience that was more receptive to the idea of European integration, the most enthusiastic proponents being smaller states that were tired of being caught up in big power rivalry. Yet prospects of a voluntary and peaceful European union were swept aside by economic recession and the rise of Nazi Germany, which was intent on correcting the “wrongs” of the Treaty of Versailles and creating a German *Lebensraum* (living space). Adolf Hitler spoke of a “European house,” but only in the context of German rule over the continent.

The end of World War II in 1945 brought a fundamental reordering of the international system, which made the possibility of European unity appear more reachable. Before the war, the world had been dominated by “great powers” such as the UK, France, and Germany, which were distinguished from other states mainly by the size and reach of their militaries³ but also by their large economies, their strong positions in international trade, and their deep investments in the international system. Since the war had resulted in the resounding defeat of Germany, the UK and France continued to act like great powers, even though Europe’s global role was diminishing, and a new bipolar order was emerging, dominated by the US and the Soviet Union. Their power and reach were so formidable that they represented a new and unprecedented breed of “superpower.”

In sharp contrast, Europe had to perform triage in the wake of its crushing defeat, with its chief task creating the conditions necessary for peacetime reconstruction. For some this meant a rethinking of their systems of government; for others it meant a new focus on social welfare; and for all it meant taking a new view of international cooperation. But each country had very different sets of priorities, and different ideas about what needed to be done.

ECONOMIC RECONSTRUCTION AND THE MARSHALL PLAN

As Western European governments worried about domestic postwar reconstruction and adjustment, changes were taking place at the global level that demanded new thinking. During the war economists on both sides of the Atlantic had discussed the best means of achieving a stable and prosperous postwar world. Their views were crystallized in July 1944, when representatives from forty-four countries met at Bretton Woods, New Hampshire, to plan for the postwar global economy. They agreed on an Anglo-American proposal to promote free trade, nondiscrimination, and stable rates of exchange – goals that were to be underpinned by American economic and political leadership, and by the creation of three new international organizations: the General Agreement on Tariffs and Trade (GATT, forerunner to today’s World Trade Organization), the International Monetary Fund (IMF), and the World Bank.⁴ More immediately, though, Europe’s economies had to be rebuilt on a more stable footing.

World War II had spread through most of Europe, resulting in an estimated 40 million deaths and leaving behind gaping pockets of devastation. Major cities lay in ruins, agricultural production was halved, food was rationed, and communications were disrupted because bridges, harbors, and railroads had been primary targets of attack. Denmark, France, and the Benelux countries had suffered heavily under occupation. Many of the UK's major cities had been bombed, its exports had been cut by two-thirds, and its national wealth plummeted by 75 percent. Before the war, the UK had been the world's second-largest creditor nation; by 1945 it was the world's biggest debtor nation. Germany and Italy were left under Allied occupation, their economies in ruins. In all of Europe, only Finland, Ireland, Portugal, Spain, Sweden, and Switzerland were relatively undamaged or unchanged.

When an economically exhausted UK ended its financial aid to Greece and Turkey in 1947, President Harry S. Truman argued that the US needed to step into the vacuum to curb communist influence in the region. The Truman Doctrine confirmed a new US interest in European reconstruction as a means of containing the Soviets and discouraging the growth of communist parties in Western Europe.⁵ At the same time, the US State Department had begun to realize that it had underestimated the extent of the wartime economic destruction in Europe. Despite an economic boom during the late 1940s, sustained growth was not forthcoming, food rationing persisted (raising the prospect of famine and starvation), and fears of communist influence spread like brushfire across a destabilized Europe.

Despite having already provided more than \$10 billion in loans and aid to Europe between 1945 and 1947, the US needed something bigger and more structured.⁶ Into the breach stepped Secretary of State George Marshall, who proposed a new and more structured program of aid to Europe. His calculations were mainly political (a strong Europe would be a buffer to Soviet expansionism), but he made his argument more palatable to Congress by couching it in humanitarian terms. "Our policy is directed not against any country or doctrine," he announced in a speech at Harvard in June 1947, "but against hunger, poverty, desperation and chaos." Marshall argued that the initiative should come from Europe and that "the program should be a joint one, agreed to by a number, if not all European nations."⁷ Many in the State Department and elsewhere felt long-term stability demanded coordinated regional economic management that would prevent the breakdown of Europe into rival economic and political blocs.⁸

Clearly, Marshall's message struck the intended chord: the British and the French accepted the offer and approached the Soviets with the idea of developing a recovery plan. However, the Soviets suspected the US of ulterior motives and bowed out. In July 1947, sixteen European countries met in Paris and established the Committee on European Economic Cooperation. They listed their needs and asked the US for a whopping \$29 billion in aid, much more than the US had envisaged. Still, with congressional approval the European Recovery Program (otherwise known as the Marshall Plan) ultimately provided roughly \$12.5 billion in aid to Europe between 1948 and 1951.⁹ In April 1948 the same sixteen states created a new body – the Organisation for European Economic Cooperation (OEEC), based in Paris – to coordinate the program.

Although the effects of the Marshall Plan are still debated even today, there is little question that it helped anchor the economic and political recovery already underway in Western Europe and bound the economic and political interests of the US and Western Europe more closely together. It was a profitable investment for the US, to be sure, but it also galvanized the idea of European integration; as Western Europe's first permanent organization for economic cooperation, the OEEC encouraged Europeans to work together and played a key role in showing them how much mutual dependence existed among their economies.¹⁰ It also



MAP 2.1 Europe After World War II.

helped liberalize inter-European trade and ensured that economic integration would be focused on Western Europe. Yet the plan's focus on cooperation rather than true integration fell far short of promoting federalism or political unity.

SECURITY AND THE COLD WAR

Looming large alongside economic concerns were security concerns. US policy on Europe after 1945 had initially been driven by President Truman's desire to pull the military out as quickly as possible. American public opinion favored leaving future peacekeeping efforts to the new United Nations, so within two years the US military presence had been slashed by

95 percent. However, it was increasingly obvious to European leaders that Joseph Stalin planned to spread Soviet influence in Europe, and that the Nazi threat had been replaced by a Soviet threat. Winston Churchill helped spark a change in US public opinion with his famous March 1946 speech in Fulton, Missouri, in which he warned of the descent of an “iron curtain” across Europe.

The US had hoped to share responsibility for security with the Western European powers, but it soon became clear that the Europeans lacked the resources to maintain their end of the bargain, and the dangers that Europe still faced were intensified by events in Germany. Security concerns had propelled the UK, France, and the Benelux states in March 1948 to sign the Brussels treaty, creating the Western Union by which members would provide “all the military and other aid and assistance in their power” in the event of attack. In June, as a first step toward rebuilding German self-sufficiency, the Western Allies agreed to create a new West German state and a new currency for the three zones they were administering. In response, the Soviets set up a blockade around West Berlin. To counter this, in the next year a massive Western airlift was undertaken to supply West Berlin. The Soviet threat was now clear, and the Berlin crisis led to the arrival in the UK in 1948 of the first US bombers suspected of carrying nuclear weapons.

The US Congress was wary of any direct commitments or entanglements in Europe but saw the need to counterbalance the Soviets and to ensure the peaceful cooperation of West Germany. In 1949 the historic North Atlantic Treaty was signed, under which the US (entering its first ever peacetime alliance outside the Western Hemisphere) agreed to help its European allies “restore and maintain the security of the North Atlantic area.” Canada also signed, as did the Benelux countries, the UK, France, Denmark, Iceland, Italy, Norway, and Portugal. The pact was later given more substance with the creation of NATO, headquartered in Paris until it was moved to Brussels in 1966. The US was now formally committed to the security of Western Europe.

Although NATO gave Europe more security and more space in which to focus on reconstruction, it soon became obvious that it was an unbalanced alliance: only 10 percent of NATO forces were American, but the US exercised most of the political influence over NATO policy. NATO members agreed that an attack on one would be considered an attack on them all, but each agreed to respond only with “such actions as it deems necessary.” The creation of NATO sent a strong message to the Soviets, but at its heart was designed to make sure that the US would not immediately be drawn into yet another European war.

Eager to encourage some kind of inter-European military cooperation, the UK invited its Brussels treaty partners to join with West Germany and Italy to create the Western European Union (WEU).¹¹ The WEU obliged each member to give all possible military and other aid to any member that was attacked. The WEU also reached beyond purely defensive concerns, and agreements signed by the seven founding members in Paris in October 1954 included the aim “to promote the unity and to encourage the progressive integration of Europe.” Within days of the launch of the WEU in May 1955, and the coincidental admission of West Germany into NATO, the Soviet bloc created its own defensive alliance in the form of the Warsaw Pact. All of Central and Eastern Europe was firmly under Soviet control, and the lines of the Cold War were now clearly defined.

At the same time, two major events in the mid-1950s confirmed the new realities of the postwar international system, altered the self-perception of Western Europeans, and boosted supporters of European integration. The first occurred in French Indochina (now Vietnam, Laos, and Cambodia), which – except for its wartime Japanese occupation – had been under French colonial control since the late nineteenth century. Demanding independence, communist groups under the leadership of Ho Chi Minh launched an uprising in 1946, dragging

the French into a bitter war. The end of the war came in May 1954 with the surrender of 12,000 French troops besieged in the village of Dien Bien Phu. The second defining event came in October 1956 when the Hungarian government of Imre Nagy announced the end of one-party rule and Hungary's withdrawal from the Warsaw Pact. As the UK and France were invading Egypt to reclaim the Suez Canal – built in 1856–1869 by the British and the French but nationalized by Egypt's new leader Gamal Abdel Nasser in July of 1956 – the Soviets responded to the Hungarian decision by sending in tanks. The US wanted to criticize the Soviet use of force and boast to the emerging Third World about the moral superiority of the West,¹² but it was hampered in doing so while British and French paratroopers occupied the Suez Canal. The UK and France were ostracized in the UN Security Council, the UK's prime minister, Anthony Eden, resigned, and the Suez invasion was quickly abandoned.

The combination of France's problems in Indochina, the Suez crisis, and the Hungarian uprising had tumultuous consequences.¹³ The UK and France began steady military reductions, finally recognizing that they were no longer world powers capable of significant independent action. Both countries embarked on a concerted program of decolonization; the UK began looking increasingly to Europe for its economic and security interests; and it became obvious to Europeans that the US was the major partner in the Atlantic Alliance, a fact that particularly worried the French. Indochina and Suez left the French more doubtful than ever about American trustworthiness and more convinced of the vital need for European policy independence.¹⁴ Meanwhile, Suez had the effect of drawing the UK's attention away from its traditional links with Australia, Canada, and New Zealand, and encouraging the UK to begin its slow turn toward Europe.¹⁵ Indeed, for Walter Hallstein, later president of the European Commission, the Suez crisis helped foster greater European unity.¹⁶ West Germany, meanwhile, worried about being caught in the middle of the Cold War, and many believed that a strong West German army would diminish the need for a nuclear defense strategy.

OPENING MOVES: COAL AND STEEL (1950–1953)

Support for the idea of European cooperation after the war found footing in the emergence (or reemergence) of several groups of pro-Europeanists. They included the United European Movement in the UK, the Europa-Bund in Germany, the Socialist Movement for the United States of Europe in France, and the European Union of Federalists. The spotlight shone particularly on the UK, which had led the resistance to Nazism and was still the dominant European power. In 1942–1943, Churchill had suggested the creation of “a United States of Europe” operating under “a Council of Europe” with reduced trade barriers, free movement of people, a common military, and a high court to adjudicate disputes.¹⁷ Yet it was clear that he felt this new entity should revolve around France and Germany and would not necessarily include the UK, which he once said was “with Europe but not of it. We are interested and associated, but not absorbed.”¹⁸ This was not to be the last example of the UK's contradictory embrace of Europe (and the later EU) while at the same time keeping it at arm's length.

In an attempt to push the cause of European unity, pro-European groups organized the Congress of Europe in The Hague in May 1948. Within months the governments of the UK, France, Italy, and the Benelux countries had agreed to the creation of a new organization. The French and Italians hoped to call it the European Union, but the British insisted on the more ambiguous and noncommittal title Council of Europe.¹⁹ It was founded in May 1949 with the signing of a statute in London by ten European states that agreed on the need for “a closer unity between all the like-minded countries of Europe.” The Council of Europe made

progress on human rights, cultural issues, and even limited economic cooperation, but it never amounted to anything more than a loose intergovernmental organization. It was far from the kind of organization that European federalists wanted.

Among those who sought something bolder were two Frenchmen: an entrepreneur and public servant named Jean Monnet and French foreign minister Robert Schuman (see Box 2.1). Both were ardent Europeanists, both felt something practical needed to be done that went beyond the noble statements of organizations such as the Council of Europe, and both believed that the logical point of departure should be the perennial problem of Franco-German relations. One way of promoting reconstruction in Germany without allowing it to become a threat to its neighbors (particularly France) was to let it rebuild under the auspices of a supranational organization, thereby tying it into the wider process of European reconstruction. The congresses of the European Movement in early 1949 had suggested that the coal and steel industries offered strong potential for common European organization, for several reasons:²⁰

- Coal and steel were the building blocks of industry, and the steel industry had a tendency to create cartels. Cooperation would eliminate waste and duplication, dismantle cartels, make coal and steel production more efficient and competitive, and boost industrial development.
- The heavy industries of the Ruhr Valley had constituted the traditional basis for Germany's power, and France and Germany had battled before over coal reserves in Alsace-Lorraine. Monnet argued that "coal and steel were at once the key to economic power and the raw materials for forging weapons of war."²¹ Forging a supranational coal and steel industry would help contain German power.
- Integrating coal and steel would ensure that Germany became reliant on trade with the rest of Europe, bolstering its economic reconstruction and calming French fears of German industrial domination.²²

Monnet felt that unless France acted immediately, the US would become the focus of a new transatlantic alliance against the Soviet bloc, the UK would be pulled closer to the US, Germany's economic and military growth would burgeon, and France would hurtle towards its "eclipse."²³ As head of the French national planning commission, Monnet knew from personal experience that intergovernmental organizations tended to be hamstrung by the governments of their member states and to become bogged down in ministerial meetings. To avoid these problems, he proposed a new institution independent of national governments that would have a life of its own, one that would be supranational rather than intergovernmental. After discussing the proposal with West German chancellor Konrad Adenauer, Schuman announced it at a press conference at the French Foreign Ministry in Paris on May 9, 1950. In what later became known as the Schuman Plan, he argued that Europe would not be built at once or according to a single plan but only through a series of clearly identifiable achievements.

The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany.... With this aim in view, the French Government proposes that action be taken immediately in one limited but decisive point. It proposes that Franco-German production of coal and steel as a whole be placed under a common High Authority, within the framework of an organization open to the participation of the other countries of Europe.²⁴

Concrete construction on European unity had begun.

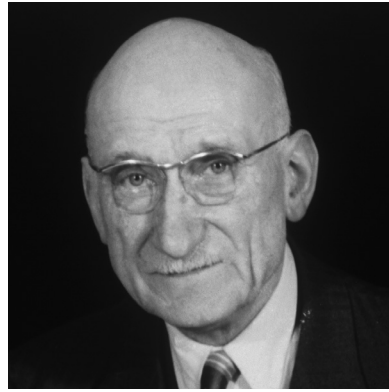


PHOTO 2.1 & 2.2 The Founding Fathers of the EU: Jean Monnet and Robert Schuman.

Source: © European Union, 2018, EC – Audiovisual Service; © European Communities, 1958, EC – Audiovisual Service.

Box 2.1 Monnet and Schuman: The Fathers of Europe

The roll call of people throughout the centuries who have pondered the notion of European unity is impressive and includes William Penn, Jean-Jacques Rousseau, Jeremy Bentham, Immanuel Kant, Victor Hugo, and Winston Churchill. But it was two Frenchmen who outlined the ideas that led most immediately to the European Union as we know it today.

Jean Monnet (1888–1979) was an entrepreneur who spent many years in public service, notably during the two world wars. Born in Cognac in western France, Monnet worked for his family business before becoming an adviser to the French government during World War I, then working for the League of Nations. After the war he worked as a financier for an American investment bank, reentering public service during World War II. He was instrumental in postwar planning in France and was the architect of the Monnet Plan, a five-year strategy for investment and modernization. He became first president of the High Authority of the ECSC, from which he resigned in 1955.

Robert Schuman (1886–1963) had an altogether different career. Born to French parents in Luxembourg, he was raised in the province of Lorraine (which had been annexed by Germany in 1871 but was returned to France in 1918), attended university in Bonn, Munich, Berlin, and Strasbourg, and served in the German army during World War I. After the war he was elected to the French parliament and spent much of his time dealing with the legal problems of Alsace-Lorraine. He refused to serve in the French Vichy government during World War II, instead becoming an outspoken critic of German policy in Alsace-Lorraine. Schuman was imprisoned by the Gestapo, but he escaped and then worked for the French underground. Reelected to the new French legislature in 1945, he served as finance minister, briefly became prime minister, then served as French foreign minister from 1948 to 1952.²⁵

Although the plan announced as the Schuman Declaration bears the name of the French foreign minister, it was actually Monnet's creation.²⁶ In fact, Monnet later claimed that Schuman "didn't really understand the treaty [the Treaty of Paris] which bore his name."²⁷ Nonetheless, the announcement of the plan was the spark that led to the European Union of today.

The plan, Schuman went on, would be “a first step in the federation of Europe” and would make war between France and Germany “not merely unthinkable, but materially impossible.”²⁸ Few other governments were enthusiastic, however, and only four took up the invitation to join: Italy sought respectability and economic and political stability, and the three Benelux countries opted in because they were small and vulnerable, had twice been invaded by Germany, and felt their only hope for a voice in world affairs and a guarantee for security was to be part of a bigger unit. They were also heavily reliant on exports and had already created their own customs union in 1948.

Undeterred by a tepid response from other states such as the UK, the governments of the founding member states (the Six) opened negotiations and on April 18, 1951, signed the Treaty of Paris, creating the ECSC. The new organization began work in August 1952, following ratification of the terms of the treaty in each of the member states. It was governed by four institutions:

- A High Authority with nine members (nominated for six-year terms) who were expected to work toward removing all barriers to the free movement of coal and steel and to represent the joint interests of the ECSC rather than national interests.
- A Special Council of Ministers representing the member states which would have equal power of decision making for the ECSC.
- A Common Assembly with advisory responsibilities, chosen on the basis of population from the national legislatures of the member states.
- A Court of Justice tasked with settling conflicts between states and ruling on the legality of High Authority decisions.

The birth of the ECSC was a small step in itself, but it represented the first time European governments had transferred significant powers to a supranational organization. It was empowered to pull down tariff barriers, abolish subsidies, fix prices, and raise income by imposing levies on steel and coal production. Though it faced some national resistance, its job was facilitated by the fact that much of the groundwork had already been laid by the Benelux customs union. The creation of the ECSC showed that integration was feasible, and its very existence obliged the Six to work together. While ultimately failing to achieve many of its goals (notably the creation of a single market for coal and steel),²⁹ it had been established to prove a point about the feasibility of integration. In this respect, the ECSC was a great success.

FROM PARIS TO ROME (1955–1958)

Meanwhile, integrationists stumbled badly with two much larger and more ambitious projects. The first of these was the European Defence Community (EDC), which was intended to promote Western European cooperation on defense while binding West Germany into a European security system. Echoing ideas outlined by Churchill in a speech to the Council of Europe in August 1950, a draft plan for the EDC was made public in October of that year.³⁰ It argued the need for a common defense and “a European Army tied to the political institutions of a united Europe and a European Minister for Defense.”³¹ On that understanding, the six members of the ECSC signed a draft EDC treaty in May 1952. Although West Germany, Italy, and the Benelux countries all ratified the treaty, there was clear resistance in the UK – wary of any kind of supranational security arrangement – and, ironically, within France, which had first proposed it. Plans for the EDC were finally abandoned in August 1954, when the French National Assembly voted it down on the grounds that giving up the right to a national army would have a crippling effect on its sovereignty.

The second failed venture was the European Political Community (EPC), which was envisioned as the first step in the genesis of a European federation. A draft plan was completed in 1953, based around a European Executive Council, a Council of Ministers, a Court of Justice, and a popularly elected bicameral parliament. With ultimate power resting with the Executive Council, which would represent national interests, the EPC was more confederal than federal in nature.³² With the collapse of the EDC, however, all hopes for an EPC died, at least temporarily, and the plans were shelved. The failure of these two initiatives dealt a sobering blow to the integrationists, sending shock waves through the ECSC; Monnet left the presidency of the High Authority in 1955, disillusioned by the political resistance to its work and impatient to move on with the process of integration.³³

Nevertheless, it could be argued that the failure of the EDC created a much better opportunity for deeper economic integration to proceed. For EU historian Desmond Dinan, the EDC was not a lost opportunity but instead “rescued European integration from the political quagmire of an unworkable military commitment.”³⁴ Indeed, while the six original members of the ECSC agreed that coal and steel had been a useful testing ground for economic integration, its scope was limited. Moreover, it was difficult to develop those two sectors in isolation. When the foreign ministers of the Six met at Messina, Italy, in June 1955, they decided to reach further by working “for the establishment of a united Europe by the development of common institutions, the progressive fusion of national economies, the creation of a common market, and the progressive harmonization of their social policies.”³⁵ A committee chaired by Belgian foreign minister Paul-Henri Spaak (the driving force behind the conference) crafted what he himself admitted was a plan motivated less by economic cooperation than by a desire to take another step toward political union.³⁶

The Spaak committee report led to a new round of negotiations and the signing on March 25, 1957, of the two Treaties of Rome, creating the EEC and the European Atomic Energy Community (Euratom). Following member state ratification, both came into force in January 1958. The EEC treaty committed the Six to several economic goals: the creation of a single



PHOTO 2.3 Signing of the Treaty of Rome.

Source: © European Communities, 1992, Source: EC – Audiovisual Service.

market within twelve years through the removal of all restrictions on internal trade; agreement on a common external tariff; the reduction of barriers to the free movement of people, services, and capital; the development of common agricultural and transport policies; and the creation of the European Social Fund and a European Investment Bank. The Euratom treaty, meanwhile – mainly of interest only to the French – aimed at creating a single market for atomic energy, but it was quickly relegated to focusing on research. When West Germany and Italy began developing their own nuclear power programs, Euratom funding was cut, and it rapidly dwindled to a junior actor in the process of integration.³⁷

Although the EEC and Euratom inherited the same basic institutional framework as the ECSC, there were some notable changes:

- Instead of a High Authority, the EEC had an appointed nine-member quasi-executive Commission with less power to impose decisions on member states and whose main jobs were to initiate policy and to oversee implementation.
- The EEC Council of Ministers was granted greater power over decision making but still represented national interests. Though composed of six members, they shared seventeen votes (four each for France, Germany, and Italy; two each for Belgium and the Netherlands; and one for Luxembourg). Some decisions required unanimity, while others could be made by a simple majority or, more often, a qualified majority of twelve votes from at least four states. This system made it impossible for the larger states to outvote the smaller ones.
- A single Parliamentary Assembly was created to cover the EEC, ECSC, and Euratom, with 142 members appointed by the member states. It could question or censure the Commission of the ECSC, but had little legislative authority. The Assembly renamed itself the European Parliament in 1962.
- A single Court of Justice was created with seven judges appointed for renewable six-year terms. It was responsible for interpreting the treaties and for ensuring that the three institutions and the member states fulfilled their treaty obligations.

Desmond Dinan has argued that while the ECSC was “important politically and institutionally” it was economically insignificant.³⁸ Be that as it may, it was arguably the Treaty of Rome, more than the Treaty of Paris, which shaped the structure and ambitions of today’s EU. Its institutional architecture has persisted to this day: a Commission that served as a quasi-executive, a Council of Ministers and a Parliamentary Assembly that performed legislative functions, and a Court of Justice that operated like a supranational constitutional court. Moreover, Rome set the stage for fuller economic integration and an accompanying logic of political integration which would take root, albeit slowly and fitfully, over the next several decades, as we shall see in the next chapters.

QUESTIONS TO CONSIDER

- 1 What were the major obstacles to progressing toward European unity and cooperation before World War II? What changed after World War II and what role did the US play?
- 2 Why did Jean Monnet and Robert Schuman emphasize the Franco-German relationship in their ideas about a future European community? Why was the integration of coal and steel chosen as the foundation for this community?
- 3 What were the factors which drove the Treaty of Rome and how did it further European integration?

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- 23 *Ibid.*, 294.
- 24 Robert Schuman, "Declaration of 9 May 1950," in *Origins and Development of European Integration: A Reader and Commentary*, edited by Peter M.R. Stirk and David Weigall, 76 (London: Pinter, 1999).
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Stagnation and Renewal

The Single European Act and Maastricht

CHAPTER OVERVIEW

- After the Treaty of Rome the EU went through several rounds of enlargement, taking in the UK, Ireland, and Denmark in the 1960s, and Greece, Portugal, and Spain in the 1980s. Yet overall movement toward deeper economic and political integration stalled significantly during the 1960s and 1970s as member states sought to retain their own autonomy and prerogatives.
- The revitalization of the European project received its most significant impetus in more than a decade with the creation of the European Monetary System (EMS), which aimed to coordinate macroeconomic policies and regulate exchange rates, and the Single European Act (SEA), whose goal was the completion of the single market.
- Meanwhile, the sudden fall of communism in Eastern Europe and the Soviet Union from 1989 to 1991 caused a dramatic shift in direction for the EU. While the logic of economic integration embodied by the EMS and SEA was already propelling it toward a common currency, anxieties about the direction of Germany after the fall of the Berlin Wall moved the EU to take steps toward political union. The result was the historic Treaty on European Union – popularly known as the Maastricht treaty – which set a timetable for a common currency (the euro) and deepened political integration.

With the signing of the Treaty of Rome in 1958, the new European Economic Community (EEC) aimed to create a Western European internal market encompassing the free movement of people, goods, money, and services. Although in the 1960s and 1970s achieving this goal remained far in the future, the EEC nevertheless made tremendous progress in abolishing internal tariffs, building a single market for agricultural goods, and acting as a unified trade bloc in international trade negotiations. Rome's kick-start to economic integration also attracted new members: a first wave of enlargement added the UK, Denmark, and Ireland in the early 1970s, and a second wave in the 1980s added Greece, Spain, and Portugal.

However, moves toward fuller economic – not to mention political – integration were not as swift nor as straightforward as many European enthusiasts would have liked: the deepening of the European project appeared to stagnate during the 1960s and 1970s, plagued by member states' economic problems and reluctance to cede sovereignty on crucial economic issues. Yet economic risk created new opportunities and initiatives, and these materialized in the form of the EMS – designed to help coordinate the macroeconomic policies of member states – and the SEA, which sought the completion of a single market for the European Community by December 31, 1992. The SEA expanded the policy reach of European institutions and broke down some of the most difficult physical, fiscal, and technical obstacles to trade.

As economic integration continued to develop in the 1980s, the fall of communism across Eastern Europe and the Soviet Union galvanized greater political integration. The rapid implosion of communist power in the German Democratic Republic (East Germany) led inexorably to the question of German reunification, a prospect that alarmed many in Europe (including, most notably, the UK's Margaret Thatcher). Yet as a new unified Germany emerged, the German chancellor, Helmut Kohl, and French prime minister, François Mitterrand, took steps to anchor it more firmly in the West through the introduction of a common currency, the euro, and a fuller political integration with the creation of a "European Union." The result was the Treaty on European Union or Maastricht treaty, the most important EU treaty since Rome.

INTEGRATION TAKES ROOT (1958–1968)

Given the long history of inter-European hostilities and war, the integration of six Western European states under the auspices of the European Coal and Steel Community (ECSC), the EEC, and Euratom was a conspicuous achievement. There are barriers to the single market even today, but internal tariffs fell quickly enough in the early years of the EEC to allow the Six to agree on a common external tariff in July 1968 and to declare an industrial customs union. The single market expanded with the reduction of nontariff barriers to the movement of goods across borders (for example different technical or health and safety standards) during the 1960s and 1970s. Quota restrictions fell and huge gains in trade and productivity were made. It was, in economist Barry Eichengreen's view, "a golden age of growth" for the EEC.¹

Other achievements burnished this "golden age":

- A fundamental goal of the Treaty of Rome had been agreement on a Common Agricultural Policy (CAP), which was achieved in 1968 with the acceptance of a watered-down version of a plan drawn up by the agriculture commissioner, Sicco Mansholt.² Its goals were to create a single market for agricultural products and to assure EEC farmers guaranteed prices for their produce. Although CAP initially encouraged both production and productivity, it was the largest single item in the budget and became enormously controversial (see Chapter 13).
- Under the Common Commercial Policy agreed to by the Treaty of Rome, the Six worked closely together on international trade negotiations and enjoyed influence they would not have had negotiating individually. The EEC acted as one, for example, in the Kennedy Round of General Agreement on Tariffs and Trade (GATT) negotiations during the mid-1960s and in reaching preferential trade agreements with eighteen former African colonies under the 1963 Yaoundé Convention (see Chapter 16).³
- Decision making was streamlined in April 1965 with the treaty establishing a Single Council and a Single Commission of the European Communities (the Merger Treaty). The decision-making process was fine-tuned further by the formalization in 1975 of regular summits of Community leaders coming together as the European Council (see Chapter 6). The EEC was finally made more democratic with the introduction in 1979 of direct elections to the European Parliament.

But there were serious problems as well. Even Jean Monnet had warned that "Europe will be established through crises and ... the outcome will be the sum of the outcomes of those crises."⁴ The failure of the European Defence Community and the European Political

Community had been early blows, but this was the result of a common core problem – excessive ambitiousness. Then came the “empty chair” crisis of 1965, whose structural implications were more worrying because they showed how far some member states were prepared to go to protect national interests.

At the heart of this crisis were French president Charles de Gaulle’s attempts to discard the supranational elements of the Treaty of Rome and to build a Community dominated by France.⁵ Several sparks set off the conflagration: demands from the European Parliament for more power, the fact that decision making by majority vote on certain issues in the Council of Ministers was scheduled to come into force on January 1, 1966 (thereby taking away the national veto), and a proposal by the European Commission that it replace its reliance on national contributions from EEC members with an independent source of income – seen as urgent to the challenges of financing CAP.

All these developments smacked of excessive supranationalism to the French, who insisted that EEC funding continue to come from national contributions, at least until 1970. The other five states disagreed, so in June 1965 France began boycotting meetings of the Council of Ministers, preventing any decisions from being made on new laws and policies. De Gaulle even went so far as to cast doubts on the future of the EEC unless the national veto was preserved. The crisis ceased only with the January 1966 Luxembourg Compromise (actually an agreement to disagree), by which the voting procedure in the Council of Ministers was changed. Unanimity remained the ideal, but members would be allowed to veto matters they felt adversely affected their national interests. This curbed the growth of the powers of the Commission, the European project’s most ardent champion, and shifted more power into the hands of the member states (in the form of the Council of Ministers). This development, along with sagging economic fortunes and blows to the postwar welfare state across Europe in the 1970s, was to stall much of the forward momentum of the EU for well over a decade.

THE ROLE OF THE US

At the outset the US backed the idea of European integration. President John F. Kennedy announced in 1962 that the US looked on “this vast new enterprise with hope and admiration” and viewed Europe not as a rival but as “a partner with whom we can deal on a basis of full equality.”⁶ For the US, the Community not only promised valuable new trading opportunities, but might also help integrate West Germany into a peaceful Western Europe, improve Western Europe’s prospects of standing up to the Soviets, and fortify the transatlantic community.⁷ But in spite of the public show of transatlantic solidarity, there were transatlantic disagreements as well, and these sticking points contributed eventually in their own way to European integration. Western Europeans pondered the motives and implications of US foreign policy, and some were moved to question the prospects for real transatlantic agreement on key international problems.⁸

Early doubts had been raised by the Korean War. Europeans had initially been heartened at the US-led invasion to expel North Korean invaders from the South, but were then alarmed by the invasion of the North, which prompted an intervention by China and threatened to generate Soviet hostility. Following that came Suez, which saw the US at odds with the UK and France over the shape of the postwar international system. Then a series of events in the 1960s and 1970s rattled Europeans again, underscoring transatlantic policy differences and further convincing many Europeans of the need for the Community to develop policy independence from the US:

- When the Berlin wall was built in 1961, cutting off the Soviet-controlled east from the Allied-controlled west, Europeans were disappointed that the Kennedy administration did not take stronger action against the Soviets.
- In October 1962 the world teetered on the brink of the nuclear abyss during the Cuban missile crisis, when the US made decisions with little reference to their European NATO partners.⁹
- The mid-1960s saw an escalation of the war in Vietnam, and it was the US's turn to be disappointed in Europe: the Johnson administration hoped for political and military support from Europe but received none, and public demonstrations against the war were loud and vociferous in Western Europe; a 1967 poll found 80 percent of Europeans critical of US policy.¹⁰
- Finally, when the Nixon administration suspended the convertibility of the US dollar against gold in 1970 and then severed the link altogether in 1971 – in both cases without reference to the Europeans – even pro-American European leaders began to argue that Europe needed to unite in order to protect its interests.¹¹

Despite these misgivings, however, and with the exception of anti-Vietnam demonstrations, European criticism of US policy was mostly muted. Still, Europeans wondered how much they could rely on the Americans, and the Americans felt slighted at how often the Europeans seemed unwilling to understand or support the American view of the world and its major threats. The disputes were to continue to grow – over the Middle East, over détente with the Soviets, and over nuclear weapons. The doubts sown in the 1960s and 1970s eventually exploded into the open in 2003, when the US invaded Iraq, and a newly assertive France and Germany made their opposition public (see Chapter 16).

Perhaps the most telling indicator of the changing transatlantic balance was the growing assertiveness of the Community as a global trading power. Progress on the single market may have been limited, there may have been difficulties with making agricultural policy work efficiently, and the road to economic and monetary union may have been bumpy, but on the trade front the Community was making great strides, and no country felt the effects more than the US. The Common Commercial Policy (CCP, see Chapter 15) meant strength through unity; the Six (and later, the Nine) wielded their combined powers and resources with considerable effect in the meeting chambers of GATT.¹² The Community and the US were each other's biggest trading partners and biggest sources of foreign investment, and they would ultimately become each other's biggest commercial competitors. Conflicts ignited between the two sides over agricultural exports, the steel industry, government subsidies, and concerns from the US about the rise of Fortress Europe, a unified trading bloc with external barriers working against US trade interests.¹³

ENLARGEMENT: LOOKING NORTH AND SOUTH (1960–1986)

The march toward progress in the European project received more momentum with a further growth in Community membership. The idea of enlargement was never far from the minds of its leaders since there was a limit to how much the EEC could achieve with just six members. The country most obvious by its absence was the UK – still Western Europe's major power – but although Churchill had been a champion of European integration during both the war and his years in opposition (1945–1951), neither the Labour government that ousted him in 1945 nor he, upon his return to office in 1951, took this philosophy any

further. The UK still saw its interests lying with its empire and with the US, but the argument that joining the EEC might threaten its special relationship with the US was undermined by US support for the idea of a European Community.¹⁴ Few in the UK government felt that the EEC had much potential;¹⁵ but then came Suez, which finally shattered the UK's nostalgic idea that it was still a great power and shook the foundations of the Anglo-American relationship.

After being diverted briefly by its creation of EFTA, the European Free Trade Association (see Box 3.1), the UK began negotiating with the Six in early 1962, as part of a package deal that included Denmark, Ireland, and Norway. Denmark's motives for EEC membership were agricultural: it was producing three times as much food as it needed, and much of that was being exported to the UK. Furthermore, the EEC would be a big new market for Danish agricultural surpluses and foster Danish industrial development. Ireland saw the EEC as a potential boost for its industrial plans and as a means to reduce its reliance on agriculture and on the UK. Norway followed the UK's lead, owing to the importance of EEC markets.

Box 3.1 EFTA: An Escape Route for Brexit?

Dean Acheson, US secretary of state during the Truman administration, described the UK's decision not to negotiate on membership in the ECSC as its "great mistake of the postwar period."¹⁶ Certainly it began a tradition of the UK dragging its feet on Europe and its overall ambivalent attitude toward the EEC and later the EU. But at this time it was not entirely alone in its reticence: several countries supported an early effort by the UK to organize an alternative to the EEC that would champion free trade without economic and political integration.

To that end, in January 1960, EFTA was founded with the signing of the Stockholm Convention by Austria, the UK, Denmark, Norway, Portugal, Sweden, and Switzerland. Membership in EFTA was voluntary (unlike the contractual arrangements set up for the EEC by the Treaty of Rome), and EFTA had no political goals and no institutions beyond a Council of Ministers that met two or three times a year and a group of permanent representatives serviced by a small secretariat in Geneva. Though EFTA helped cut tariffs it achieved relatively little over the long term. Several of its members did more trade with the EEC than with their EFTA partners, and questions surfaced about the UK's motives in pursuing the EFTA concept. It was a marriage of convenience, created to prove a point about the relative merits of a looser free trade arrangement with low tariffs.

It soon became clear that political influence in Europe lay with the EEC and that the UK risked political isolation if it stayed out. The continent had made impressive economic and political progress, and UK industry wanted access to the rich European market.¹⁷ So in August 1961, barely fifteen months after the creation of EFTA, the UK applied for EEC membership at the same time as Denmark and Ireland. They were joined by Norway in 1962. With three of its seven members now trying to defect, EFTA lost much of its relevance, so the rest of its members – Austria, Portugal, Sweden, and Switzerland – all applied for associate membership in the EEC, followed by Malta and Spain. Today, EFTA comprises just four members: Iceland, Liechtenstein,¹⁸ Norway, and Switzerland. However, in 1990, negotiations began on the creation of the European Economic Area (EEA), under which the remaining EFTA members would be extended the terms of the SEA (see below), in return for which

they would accept the rules of the single market. The proposal made economic sense, given that 55 percent of EFTA exports went to the EC and 26 percent of EC exports went to EFTA.¹⁹ All EFTA states joined the EEA, with the exception of Switzerland.

Curiously, EFTA has gained new visibility as a possible post-Brexit destination for the UK. For supporters, rejoining EFTA would keep the benefits of a single market, since EEA signatories enjoy a special trade relationship with the EU. Opponents have pointed out that joining EFTA and the EEA would continue to bind the UK to most EU rules (including those concerning the free movement of people) and require it to contribute money to support EU programs – all this without a seat at the EU decision-making table. Whether the UK will ultimately seek EFTA membership, after Brexit it will automatically be outside the EU, EFTA, and the EEA – for the time being, at least, an isolated trade partner within Europe.

UK membership seemed set for success, but then its application was tripped up by Charles de Gaulle, an Anglophobe who had plans for an EEC built around a Franco-German axis. He saw the UK as a rival to French influence in the EEC, and resented the UK's lukewarm response to the early integrationist moves of the 1950s. He also felt that UK membership would cede too much influence to the US in Europe, a concern that seemed to be confirmed at the end of 1962 when the UK accepted the US offer of Polaris missiles as delivery vehicles for the UK's nuclear warheads. For his part, Monnet was eager for UK membership and even tried to convince West German chancellor Konrad Adenauer by suggesting that he refuse to sign a Franco-German Friendship Treaty unless de Gaulle accepted the UK's application. But Adenauer thought that the development of the Franco-German axis was key, and had a close relationship with de Gaulle.²⁰

In the space of just ten days in January 1963, de Gaulle vetoed the UK's application and signed the treaty with Germany. He upset the UK and some of his own EEC partners by reaching the veto decision unilaterally and making the announcement at a press conference in Paris. Since the UK's application was part of a package that included those of Denmark, Ireland, and Norway, they were turned down as well. Undeterred, the UK applied again in 1966 and was vetoed for a second time by de Gaulle, who was still worried about the influence within the EEC that UK membership would afford to the US, and also keen to ensure that French interests in the CAP were not undermined. Following de Gaulle's resignation as president of France in 1969, the UK applied for a third time, and this time its application was accepted, along with those of Denmark, Ireland, and Norway. Following membership negotiations in 1970 and 1971, the UK, Denmark, and Ireland finally joined the EEC in January 1973; Norway would have joined also, but a Norwegian public referendum in September 1972 narrowly went against membership, thanks mainly to the concerns of farmers and fishing communities. The Six had now become the Nine.

A second round of enlargements, which came in the 1980s, pushed the borders of the EEC farther south. Greece had made its first overtures to the EEC during the late 1950s but was turned down on the grounds that its economy was too underdeveloped. It was given associate membership in 1961 as a prelude to full accession, which might have come sooner had it not been for the Greek military coup of April 1967. With the return to civilian government in 1974, Greece applied almost immediately for full membership. Though the Commission felt that Greece's economy was still too weak, the Greek government responded that EEC membership would strengthen its attempts to rebuild democracy. The Council of Ministers agreed, negotiations opened in 1976, and Greece came aboard in January 1981.



MAP 3.1 Growth of the EU, 1952–1986.

Portugal and Spain had requested negotiations for associate membership in 1962, but both were dictatorships. Although the EEC treaty said that “any European State may apply to become a member of the Community,” democracy was, in practice, a basic precondition. Spain received a preferential trade agreement in 1970 and Portugal in 1973, but only with the overthrow of the Marcelo Caetano regime in Portugal in 1974 and the death of Francisco Franco in Spain in 1975 was the possibility of EEC membership for the two states seriously considered. Despite their relative poverty, problems over fishing rights, and concerns about Portuguese and Spanish workers moving north in search of work, the EEC felt that membership would nurture democracy in the Iberian Peninsula and help link the two countries more closely to NATO and Western Europe. Negotiations

opened in 1978 and 1979, and Portugal and Spain joined the club in January 1986, bringing EEC membership to twelve.²¹

The doubling of the membership of the EEC had several political and economic consequences: it increased the international influence of the EEC (which was now the largest economic bloc in the world), complicated the Community's decision-making processes, reduced the overall influence of France and Germany, and – by bringing in the poorer Mediterranean states – altered the internal economic balance. Rather than enlarging any farther, it was deemed time to strengthen the relationships among the existing twelve members. Applications ensued by Turkey (1987), Austria (1989), and Cyprus and Malta (1990) and although East Germany entered through the back door with the reunification of Germany in October 1990, there was to be no further enlargement until 1995.

TOWARD ECONOMIC AND MONETARY UNION (1969–1993)

The Treaty of Rome had mentioned the need to “coordinate” economic policies but had given the Community no specific powers to ensure this result, and coordination in practice meant little more than “polite ritualistic consultation.”²² Proposals to go further went head to head with concerns about loss of national sovereignty, and EEC leaders disagreed about whether to move first on economic union (the coordination of economic policies) or on monetary union (the creation of a single currency).²³ Following agreement on the principle of economic and monetary union (EMU) at a 1969 summit of EEC leaders at The Hague, it was decided to move on the economic and monetary fronts simultaneously, with the achievement of fixed exchange rates in stages by 1980.²⁴ The Six accordingly agreed to work to hold exchange rates steady relative to one another and to maintain the value of national currencies within ± 2.25 percent of the US dollar in a structure colorfully known as the “snake in the tunnel” (a reference to the way values could go up and down within a defined band). They would meanwhile make more effort to coordinate national economic policies, with their finance ministers meeting at least three times annually.

The timing for this decision could not have been worse. The snake was launched in April 1972, just eight months after the Nixon administration took the US off the gold standard, ending the Bretton Woods era of fixed exchange rates. Nixon blamed the problems of Bretton Woods largely on the protectionism of the Community and its unwillingness to take more responsibility for the costs of defense, when in fact the inflationary effects on the US economy of the war in Vietnam were chiefly to blame.²⁵ The end of Bretton Woods brought international monetary turbulence, which was amplified in 1973 by an international energy crisis. In their anxiety to control inflation and encourage economic growth, several EC member states abandoned the snake: the UK, Denmark, and Ireland fled within weeks of joining; France refused to join, then joined, then left in 1974, then rejoined in 1975, then left again.²⁶

A new approach emerged in March 1979, mainly on the initiative of the new West German chancellor, Helmut Schmidt, who was upset with the failure of the Carter administration in the US to take action to strengthen the dollar.²⁷ The EMS replaced the snake with an Exchange Rate Mechanism (ERM) (operating on a similar basis) founded on a European currency unit (ECU). The goal of the EMS was to create a zone of monetary stability, with governments moving to keep their currencies as stable as possible relative to the ECU, whose value was calculated on the basis of a basket of national currencies, weighted according to

their relative strengths (the deutschmark made up nearly 33 percent, the French franc nearly 20 percent, the Dutch guilder 10 percent, and so on). The hope was that the ECU would become the go-to means of settling international debts between EC members, psychologically preparing them for the eventual introduction of a single currency.

EMU advanced further in 1989 with the elaboration by Commission president, Jacques Delors, of a three-stage plan:

- 1 The establishment of free capital movement and greater monetary and economic cooperation between the member states and their central banks
- 2 Greater cooperation among central banks, close monitoring of the EMS, and coordination of the monetary policies of the member states
- 3 The fixing of exchange rates and the creation of a single currency.²⁸

European leaders approved the plan in June 1989, and it was later agreed that member states would have to meet several economic “convergence criteria” (including low inflation and interest rates) before they could adopt the single currency. If at least seven states met the criteria, a date would be set for stage three: the establishment of a European Central Bank responsible for setting monetary policy, thus paving the way for the single currency. The plan was easier said than done, however, and several member states found that the effort of controlling exchange rates caused their economies to overheat. Subsequently, several exchange rate realignments were made to help member states build monetary stability, but turbulence in world money markets escalated in the early 1990s, and the deutschmark came under pressure following German reunification in October 1990.²⁹ In 1992 and 1993, the ERM came close to collapse: the UK and Italy joined, then pulled out, and Ireland, Portugal, and Spain devalued their currencies. Clearly, monetary union was still a rough work in progress.

COMPLETING THE SINGLE MARKET: THE SINGLE EUROPEAN ACT (1983–1993)

At the heart of the Treaty of Rome lay the goal of building a single market that would pave the way for the “four freedoms”: the free movement of people, money, goods, and services. Despite progress during the 1960s, nontariff barriers persisted, including different technical standards and quality controls, different health and safety standards, and different levels of indirect taxation. Progress in the 1970s was handicapped by inflation and unemployment and by the temptation of member states to protect their home industries.³⁰ European corporations also faced mounting competition from the US and Japan, particularly in new technology. As a counter measure, a decision was made in 1983 to revisit the single market project. A 1985 intergovernmental conference convened to discuss the necessary steps (see Box 3.2), and a Commission study (the *Cockfield Report*) listed 282 pieces of legislation that would need to be agreed to and implemented in order to remove all remaining nontariff barriers and create a true single market.³¹

The result was the SEA, which was signed in Luxembourg in February 1986 and came into force in July 1987. The first formal expansion of Community powers since the Treaty of Rome,³² its goal was to complete the single market by midnight on December 31, 1992, by creating “an area without internal frontiers in which the free movement of goods, persons, services and capital is assured.” As well as relaunching “Europe” and building the single biggest market and trading bloc in the world, the SEA brought many more specific changes:

Box 3.2 Outside the Lines: Intergovernmental Conferences in the EU

One of the key intergovernmental qualities of the EU can be found in the convening of summit meetings at which representatives of the member states discuss and reach decisions on broad strategic matters. Known as intergovernmental conferences (IGCs), these take place outside the institutionalized decision-making framework of the EU, typically over a period of weeks or even months. Depending on how they are defined, there have been as many as a dozen IGCs since 1950, but the most important have all been held since 1985.

The first IGC took place between June 1950 and March 1951 and focused on plans for the ECSC. Chaired by Jean Monnet, it led to the signing in April 1951 of the Treaty of Paris. The second IGC – which began in Messina, Sicily, in June 1955 and ended in Venice in May 1956 – led to the signing in March 1957 of the two Treaties of Rome, creating the EEC and Euratom. Several more IGCs were convened in the 1960s and 1970s, all dealing with more limited issues: a one-day IGC in April 1965 led to the Merger Treaty, another in 1970 discussed budgetary issues, and another in 1975 discussed the terms of the European Investment Bank.³³

It was not until 1985 that the next substantial IGC was launched. Concerned about the lack of progress on integration and Europe's declining economic performance in relation to the US and Japan, representatives of the Nine met between September 1985 and January 1986, discussing and agreeing on the framework of the SEA. Two more IGCs took place during 1991 to examine political and monetary union, paving the way for the signature in 1992 of the Treaty on European Union.

Institutional reform and preparations for eastward enlargement were the top priorities of IGCs in 1996, 1997, and 2000, which resulted in agreement on the treaties of Amsterdam and Nice. Another IGC was convened in mid-2007 to discuss the content of the new Lisbon treaty in the light of the failure in 2005 of the Constitutional Treaty. In every case, the IGCs have been negotiated by national government ministers and permanent representatives, and so they continue to highlight the extent to which decision making on the EU's big initiatives still rests with the member states.

- The Community was given responsibility over new policy areas, such as the environment, research and development, and regional policy, and qualified majority voting in the Council of Ministers was extended to most areas of the single market.
- New powers were handed to the European Court of Justice, whose workload was eased by the creation of the Court of First Instance.
- Legal status was granted to meetings of heads of government under the European Council and to Community foreign policy coordination.
- Parliament was given more power relative to the Council of Ministers.
- Many internal passport and customs controls were eased or lifted and with the adoption of the separate Schengen agreement in 1985 (see Chapter 12) border checks were eliminated.
- Banks and companies enjoyed new freedoms to do business and sell their products and services throughout the Community.
- Protectionism was outlawed, and monopolies on everything from the supply of electricity to telecommunications were dismantled.

Despite the SEA's significant strides, a formidable challenge remained: addressing the problem of physical, fiscal, and technical barriers to trade was one thing, but economic disparities within the Community acted as additional handicaps. During the mid-1960s per capita gross domestic product in the Community's ten richest regions was nearly four times greater than that in its ten poorest regions. The gap closed during the early 1970s, but with the accession of the UK, Ireland, and Greece it grew to the point at which the richest regions were five times wealthier than the poorest.³⁴ The Commission-sponsored *Thomson Report* of 1973 concluded that these disparities presented an obstacle to a "balanced expansion" in economic activity and to EMU.³⁵ France and West Germany saw regional policy as a means of helping the UK integrate with its new partners, while the government of Prime Minister Edward Heath viewed it as a way of making EEC membership more palatable to Britons concerned about the potential costs of membership.³⁶ Reaching agreement in 1973, the Six launched the European Regional Development Fund (ERDF), designed to match existing national spending on the development of poorer regions, and aimed at projects that would create new jobs in industry and services or improve infrastructure.³⁷ While these structural funds accounted for only 18 percent of EC expenditures in 1984, they steadily moved up the budget and by 2007 still comprised about 46 percent of EU spending (about \$62 billion). But despite the increased spending, regional disparities in the EU not only remained, they grew after 2004 as several relatively poor Eastern European states joined the EU.

With new attention focused in the 1980s on the reinvigoration of the single market, it became clear that social problems also required action, particularly those related to worker mobility, including industrial decline and long-term unemployment. The SEA now made "cohesion" a central part of economic integration, and new prominence was given to the Community's structural funds, including the ERDF, the European Social Fund, and the Cohesion Fund. Another boost for social policy came in 1989 with the Charter of Fundamental Social Rights for Workers (the Social Charter), promoting free movement of workers, fair pay, better living and working conditions, freedom of association, and protection of children and adolescents.

FROM COMMUNITY TO UNION (1970–1993)

The controversial idea of political integration received less attention from Community governments because of a prevailing feeling that there was little hope of building political union without first achieving economic union. A 1970 report authored by Belgian diplomat Etienne Davignon argued that foreign policy coordination would be a useful first step, especially given the growing divergence between US and Western European policies, made painfully obvious by Vietnam. He recommended quarterly meetings of the six foreign ministers, liaison among EC ambassadors in foreign capitals, and common EC instructions on certain matters for those ambassadors.³⁸ This so-called European Political Cooperation achieved some early successes, such as the 1970 joint EC policy declaration on the Middle East, the signing of the Yaoundé Conventions on aid to poorer countries, and collective European responses during the 1980s to the war in the Falklands, developments in Poland and Iran, and apartheid in South Africa.³⁹ But it was more reactive than proactive, its weaknesses illuminated during the 1990–1991 Persian Gulf crisis, when EC member states were divided over the US-led response to Iraq's invasion of Kuwait (see Chapter 6). Differences came to the fore as well in December 1991, when Germany unilaterally recognized Croatia and Slovenia without conferring with its EC partners.

Political union received renewed focus in 1984 by President François Mitterrand of France, who was determined to reassert the leadership of his country in the EC. It acquired

special importance in the wake of the fall of the Berlin Wall and its resulting “German question” (that is, the consequences of the reunification of Germany for the EU). Mitterrand’s goals for the EC now included a more thoroughgoing political union alongside its economic one so that reunified Germany would remain firmly tied to the fortunes of its western allies. West German chancellor Helmut Kohl, on the other hand, needed the French to sign off on his plan and timetable for unification (including the “4+2” agreement whereby the four allied powers and the two German states would negotiate the terms of the transition to unification) as well as securing the endorsement of the European Council for German unity. In return, Kohl agreed to move more quickly on monetary union and back a plan for a political union with more streamlined decision-making processes, a greater EU role in a number of policy areas, and a common foreign and security policy for the EU.⁴⁰

The result was the 1990–1991 IGC on political union which led directly to the historic Treaty on European Union, agreed to at the Maastricht European Council summit in December 1991 and signed in February 1992. The many important changes enacted by the Maastricht treaty included the following:

- The creation of a new European Union, based on three “pillars” with their own rules: a reformed European Community which strengthened the European Parliament and European Council, a Common Foreign and Security Policy that would replace European Political Cooperation, and a third pillar which included new policy areas on justice and home affairs
- A timetable and conditions for the establishment of a single European currency
- The extension of EU responsibility to new policy areas such as consumer protection, public health, transportation, education, and social policy
- Increased cooperation on immigration and asylum, the creation of a European police intelligence agency (Europol) to combat organized crime and drug trafficking, and expanded regional funds for poorer member states
- New rights for European citizens and the formation of an ambiguous EU “citizenship” (with an EU passport), including the rights of citizens to live wherever they liked in the EU (subject to some limitations) and to vote in local and European elections.

Mark Gilbert argues that Maastricht represented an “unprecedented voluntary cession of national sovereignty,” and that it was “less an international treaty than a tentative constitutional act.”⁴¹ The stakes were showcased by the debate over the wording of the draft treaty, which had originally mentioned the goal of federal union but was changed on the UK’s insistence to “an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen.” Problems also arose during ratification, when Danish voters caused political shock waves by rejecting the treaty in a June 1992 national referendum. Following agreement that Denmark could opt out of the single currency, common defense arrangements, European citizenship, and cooperation on justice and home affairs, a second referendum took place in May 1993, and Danes accepted the treaty. Following ratification in the other eleven states, the Maastricht treaty came into force in November 1993, nearly a year late.

Meanwhile, political agreement on the single currency was building in spite of doubts raised by the lessons of the ERM, and a decision was made in 1995 to call it the “euro.” While supporters argued that a single currency would further economic integration by eliminating the cost of exchanging currency for both producers and consumers while removing exchange rate risks, critics charged that a common currency for the entire EU had a fatal flaw: national economies in the EU differed markedly from each other while labor flexibility and wage flexibility were too low, a situation that posed grave economic risks.⁴² Essentially, this meant that unlike workers moving from one US state to another, if one country in the EU experienced a serious



PHOTO 3.1 Signing of the Treaty of Maastricht.

Source: © European Communities, 1992, EC – Audiovisual Service.

economic downturn (and therefore unemployment), workers would not willingly or easily move to those countries with more available, better-paying jobs.

Even more importantly, monetary policy (including the setting of interest rates and money supply) was to be directed by the EU through the European Central Bank, just as the US Federal Reserve Bank does. Consequently, individual countries would no longer be able to adjust their currencies to deal with the economic ups and downs of their economy. Yet in contrast to the US, fiscal policy (i.e., taxing and spending) was left in the hands of each of the member states of the EU, who oversaw their own budget surpluses or (crucially) deficits. In short, according to critics, monetary union had something of the worst of both worlds: member states had no power to set interest rates or devalue their currency to dig out of an economic hole, yet the EU as a collective had little power to ward off crises by controlling the spending and debt of its constituent parts. As would eventually become abundantly clear, few diagnoses could have been more accurate.

QUESTIONS TO CONSIDER

- 1 Two visions of European integration – widening, or EU enlargement, and deepening, or further economic and political integration of the existing members of the EU – are often seen as standing in tension with one another. How might this tension be illustrated in the development of the EU in the 1970s and 1980s?
- 2 Viewed from the perspective of today's EU, how important were the EMS and SEA? What did they do and what impact did they have on the European integration process?
- 3 What were Maastricht's most significant achievements? What internal and external developments drove the signing of this treaty?

NOTES

- 1 Barry Eichengreen, *The European Economy Since 1945: Coordinated Capitalism and Beyond*, 198 (Princeton, NJ: Princeton University Press, 2007).
- 2 See John Pinder, *European Community: The Building of a Union*, 78–86 (Oxford: Oxford University Press, 1991); Derek Urwin, *The Community of Europe*, 2nd ed., 132–135 (London: Longman, 1995).
- 3 Urwin, *The Community of Europe*, 131.
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Geir Lundestad, *The United States and Western Europe Since 1945* (Oxford: Oxford University Press, 2003).

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A riveting account of the negotiations between France and Germany on political and monetary union.

Charles Mulhearn and Howard Vane, *The Euro: Its Origins, Development and Prospects* (Northampton, MA: Edward Elgar, 2008).

Provides a good overview of the euro against the backdrop of European integration and the steps leading to its introduction, including discussions of the ERM and EMU.

Unity and Upheaval

The Eurozone, the Treaty of Lisbon, and Crises in the EU

CHAPTER OVERVIEW

- The fall of the Berlin Wall and the end of the Cold War spawned an increasingly self-confident and influential EU. New rounds of expansion pushed the EU farther north and (most significantly) farther east. The initial post-Cold War era also brought significant deepening: a new joint currency (the euro), far-reaching institutional changes in the treaties of Amsterdam, Nice, and Lisbon, and a more independent and vigorous foreign policy.
- Yet these triumphs were followed by a severe financial and debt crisis in the eurozone and immediately after that an unprecedented migration crisis. Both exposed the limits of elite-led efforts to move the Union toward further integration as well as the inability of the EU to take quick and decisive action in the face of serious challenges.
- As a further blow, the UK has left the EU, the so-called “Brexit.” Some analysts initially warned that Brexit might prove to be a final fatal wound to the EU and trigger the eventual breakup of the bloc. Yet despite the fact that it continues to suffer from serious concerns about its democratic accountability and ability to act decisively, the design flaws of its common currency, and the strong tailwind both of these have given to anti-EU populists across the continent, there are few signs of a fundamental weakening, as the EU has moved forward, garnering support from Europeans who acknowledge its important value and achievements. Whether the impact of the COVID-19 pandemic will change this balance is not yet clear.

With the fall of the Berlin Wall and the end of the Cold War, the European project gained new prestige and importance and the EU evolved in fundamental ways. It began to prepare for expansion to include the states of Eastern Europe (including the territory of the former East Germany) once under the Soviet imperium, a move that would stand as a potent symbol of the end of the Cold War. It also deepened with the signing of the 1992 Treaty on European Union – popularly known as the Maastricht treaty – seeking to further integrate the states of what was now to be known as the EU both politically and economically. Economic integration later found its most substantial, as well as symbolic, expression in the creation of a new joint currency, the euro. Successful enlargement also created its own challenges, as the institutional machinery designed for twelve states was not well suited for two dozen or more. Further tinkering with institutional arrangements in the treaties of Amsterdam and Nice were deemed insufficient, and thus a new European constitutional treaty was envisaged that could provide an institutional framework – and an overarching vision – commensurate with the importance and power of the EU. The rejection of the

treaty by French and Dutch voters in 2005 indicated that EU elites may have reached too high; accordingly, a more modest, if not substantially different, framework emerged in the Treaty of Lisbon in 2009.

The EU today is a very different actor on the international stage than it was in its early years. It is a global powerhouse: the world's second-largest economy (after China but ahead of the US), its second-largest exporter and importer, and – with a population of almost 450 million – significantly larger than the US. It has also acquired newfound independence in foreign policy, however much it still punches below its economic weight. Both substantively and symbolically, the most recent rounds of enlargement have transformed the EU from a Western European economic club to one that includes most of Europe, such that “Europe” today is synonymous with the EU.

At the same time, a series of crises over the last decade have exposed serious problems in the European project:

- A global financial crisis beginning in 2007 soon after spilled over into a massive government debt crisis which demonstrated some of the weaknesses baked into the euro.
- A migration crisis beginning in late 2014 underscored the EU's inability to act quickly and decisively and highlighted serious east–west rifts among the member states.
- The UK's decision to leave the EU demonstrated the difficulty the EU has had in convincing a broad swath of Europeans (including of course the British people) that the EU works on their behalf – the most serious reminder of its longstanding “democratic deficit.”

Although forecasts of the death of the euro (not to mention the EU as a whole) have not been merely premature but misplaced, these three crises gave succor to the increasingly loud voice of anti-EU populists across the continent. Whether the impacts of the COVID-19 pandemic – primarily the emboldening of a few increasingly authoritarian EU states (such as Hungary) and the virus's potential to fundamentally alter free movement within the EU – will be lasting is difficult to say. Nevertheless, it is clear that amidst all these crises, most Europeans back the EU

THE EURO ARRIVES (1995–2002)

Leaders of the member states met in May 1998 to decide which applicants met the criteria outlined under the Maastricht treaty to join the new common currency. It was decided that all but Greece were either ready or were making good progress,¹ but the UK, Denmark, and Sweden declined to adopt the euro, at least initially. In June 1998 the new European Central Bank took ownership for monetary policy in the eurozone, and in January 1999 the euro was launched when participating states permanently fixed their currency exchange rates relative to one another and to the euro.

The monumental task of preparing consumers and businesses in the eurozone for the physical switch to the euro proceeded, as did the printing of fourteen billion new euro banknotes and fifty-six billion euro coins. There was much discussion about the designs of the banknotes, which could not be tied to any one country but instead had to capture general European themes. The final decision was to use designs based on styles of architecture that were found throughout Europe. As for the coins, one side had a common design while the other featured designs peculiar to the participating states: so, for example, the Belgians, the Dutch, and the Spanish chose images of their monarchs, Ireland chose

the Celtic harp, France used an image of Marianne (a mythical icon of liberty), and Germany used the German eagle.

With these distinct national emblems in place, the final switch to the euro began on January 1, 2002, as consumers and businesses turned in their old coins and banknotes for euros. The original plan was to make the transition in a period of six months, but the new currency found fast footing: within a month the euro was accounting for 95 percent of cash payments in participating countries, and the switch was largely complete by the end of February. After years of often heated discussion, the single currency was finally a reality. Gone were deutschmarks, drachmas, escudos, francs, guilders, lire, markkas, pesetas, punts, and schillings, and for the first time since the Roman era, much of Europe had a single currency. It was a remarkable achievement, standing as one of the most substantial steps yet taken in the process of European integration.

Not everyone climbed aboard the Euro train: Denmark and Sweden turned down membership in the euro in national referendums, so the focus of interest now switched to the UK, where debate about whether or not to join was heated. The government of Tony Blair set five criteria that would have to be met (including assurance that there would be no negative impact on jobs, financial services, or foreign investment) and insisted that a national referendum be held on the issue. Blair himself was in favor, but opinion polls regularly found a large majority opposed to adoption, and the referendum was repeatedly postponed. In January 2007, Slovenia became the thirteenth country to adopt the euro, with Cyprus and Malta following in 2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014, and Lithuania in 2015.

With the single market almost complete and the euro circulating in the majority of EU member states, the core goals of economic and monetary union should have been close to fruition. Yet unresolved concerns about low productivity and high unemployment persisted, to which the EU responded with the launch in March 2000 of the Lisbon Strategy. This initiative was aimed at making the EU “the most competitive and dynamic knowledge-based economy in the world” within ten years, with the specific goals of liberalizing telecommunications and energy markets, improving European transport, and opening up labor markets.² But these high hopes did not anticipate the global financial crisis that erupted in 2007, followed by a government debt crisis in the eurozone in 2008, both of which sent policy makers reeling.

CHANGES TO THE TREATIES: AMSTERDAM AND NICE (1997–2001)

The ink had barely dried on the Maastricht treaty before EU leaders agreed that a new intergovernmental conference should be convened to take stock of the progress of European integration and to discuss the institutional and policy changes that many felt were vital in light of the projected growth of the EU to a membership of twenty countries or more. The result was the Treaty of Amsterdam, signed in October 1997 and enacted in May 1999.³ Much was expected of the treaty, but it fell short of moving Europe closer to political union, and the leaders of the member states were unable to agree on substantial changes in the structure of EU institutions. Plans were confirmed for enlargement of the EU to the east, the goal of launching the single currency in January 1999 was cemented, and more focus was shifted to policies on gender equality (see Box 4.1), asylum, immigration, unemployment, social policy, health protection, consumer protection, the environment, and foreign affairs.

Box 4.1 Gendering the EU

The EU remained very much a “man’s club” in its first several decades, barely glancing at the rights of women. Yet a key legal component for actions against nondiscrimination on the basis of gender in the EU was already articulated in Article 119 of the Treaty of Rome which stated that “Each Member State shall ... ensure and subsequently maintain the application of the principle that men and women should receive equal pay for equal work.” It was not until a 1976 EU Court of Justice decision, *Defrenne v. Sabena*, however, that this provision became a tool to drive forward sweeping attempts to ensure gender equality. In this historic case, Gabrielle Defrenne, a flight attendant with the Belgian national airline, Sabena, had been forced into a lower paying job under a company policy that required female flight attendants, unlike their male counterparts, to retire at age forty. Defrenne argued that the lower pension rates she would subsequently receive violated Article 119. The Court of Justice agreed, affirming the principle of direct effect (see Chapter 8).

The introduction of direct elections to the European Parliament (EP) in 1979 raised women’s share of seats from 1 percent to 16 percent, providing a new staging ground for efforts to extend and implement gender equality across all member states. Several major directives followed over the next decade, expanding the equal pay cause to include equal access to training, promotion, pensions and other labor market benefits, working conditions (including maternity leave), and protection against sexual harassment. In 1996 the Commission mandated the balanced participation of women and men during all stages of the policy process as well as in regard to policy substance, also known as “gender mainstreaming.” The Treaty of Amsterdam elevated gender equality to a fundamental right of the EU, giving EU institutions new powers to monitor and fight discrimination on the basis of sex. Gender equality was also added to the EU’s list of “chief tasks,” along with securing high employment, sustainable economic development, and inclusive social protection.

Incorporated into the Charter of Fundamental Rights, the Treaty of Lisbon, and a host of recast directives over the last two decades, gender equality has become integral to the *acquis communautaire*, the body of EU laws, regulations, and jurisprudence that must be transposed into national law in all member states. However far nondiscrimination and full gender equality in the EU remain from full realization, it is nevertheless true that women have made enormous strides, a development symbolized by the selection of Ursula von der Leyen, former German defense minister and mother of seven, as the first female EU Commission President.⁴

Another set of changes to the treaties was agreed to by EU leaders at a summit meeting in Nice, France, in December 2000. Less radical and headline-making than either the Single European Act or Maastricht, the key goal of the Treaty of Nice was to make the institutional changes needed to prepare for eastward expansion of the EU, and to make the EU more democratic and transparent. It proved to be a disappointment, though, doing little more than tinkering with the structure of the institutions to anticipate future enlargement; hence the size of the Commission was to be increased, with no country having more than one commissioner, the distribution of votes in the Council of Ministers was to be changed, agreement was reached on a redistribution and capping of the number of seats in the EP, and changes were made to the Court of Justice and the Court of First Instance. Agreement was also reached on a Charter of Fundamental

Rights of the European Union (see Chapter 8, Box 8.1), including an early warning mechanism designed to prevent breaches of the rights of member states.

The Treaty of Nice was signed in February 2001, and like the earlier treaties was to come into force when ratified by all the member states. But a surprise landed in June 2001, when voters in Ireland – where the constitution requires a referendum on all new EU treaties – rejected the terms of Nice. Opponents argued that it required the surrender of too much national control, particularly concerning the implications for Irish neutrality. Part of the problem, however, was simply low voter turnout: just 33 percent of voters cast a ballot, and just 54 percent of those said no. A second vote took place in Ireland in October 2002, following assurances that Ireland's neutrality on security issues would be respected. This time turnout was a more respectable 48 percent, and the treaty sailed through with a 63 percent majority.

Nice came into force in February 2003, but it went largely unnoticed because there had already been broader discussions in the European Council in 2001 about the need to make the EU more democratic and to bring it closer to its citizens. At the Laeken European Council in December, a decision was made to establish a convention to debate the overall framework for the EU: to draw up a draft constitutional treaty designed to simplify and replace all the treaties, to determine how to divide powers between the EU and the member states, to make the EU more democratic and efficient, to determine the role of national parliaments within the EU, and to pave the way for more enlargement. With these aims in mind, a convention took place in 2002–2003 under the presidency of former French president Valéry Giscard d'Estaing. The result of its deliberations was a draft constitutional treaty,⁵ published in July 2003. By the time this constitutional treaty was sent to the member states for consideration in 2004, the membership of the EU was up to twenty-five, and it was agreed that all twenty-five had to approve before it could take effect. Generally speaking, bigger countries were happier with the draft than were smaller ones, due to concerns that their voices would not be heard. Some countries declared that government ratification would be enough, while others opted for national referendums. Eight countries endorsed the treaty in late 2004 and early 2005, including Germany, Italy, and Spain, but then negative public votes in France and the Netherlands in May and June 2005 generated shock waves. By February 2007 eighteen member states had endorsed the treaty,⁶ but in its existing form it was dead, and debates had already begun about where to go next. The end result was the Treaty of Lisbon.

MORE ENLARGEMENT: LOOKING EAST (1994–2013)

Perhaps nowhere was the new power and influence of the EU more obviously on show than in the attraction it held for its Eastern European neighbors, many of which were now anxious to join the club. Just as Community membership had helped bring stability to Greece, Portugal, and Spain, so there were hopes that extending membership to former Eastern bloc countries would promote their transition to capitalism and democracy, open up new investment opportunities, and pull Eastern Europe into a strategic relationship with the West that could be useful if problems in (or with) Russia worsened. But the challenge was substantial, and the hurdles to be jumped were high; *The Economist* argued that it was as though the US had agreed to welcome into the union several Mexican states, with a commitment to bring them up to American standards of infrastructure and social provision.⁷ The EU nonetheless signed agreements between 1994 and 1998 with several Eastern European countries that allowed for gradual movement toward free trade and were designed to prepare its co-signatories for eventual EU membership, including their commitment to democratic norms (see Box 4.2). In 1997 the EU launched Agenda 2000, a program that contained a list

of all the measures that the European Commission felt needed to be agreed to in order to bring ten Eastern European states into the EU.

Negotiations on membership began in 1998–2000 with Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. Following the completion of negotiations in December 2002, all but Bulgaria and Romania were invited to join the EU. All accepted, and all but Cyprus held referendums that came down in favor of membership. In May 2004 ten new members joined the EU, pushing membership up to twenty-five and for the first time assimilating former Soviet republics (Estonia, Latvia, and Lithuania). The population of the EU swelled by nearly 20 percent, but – given the relative poverty of the new members – its economic wealth grew by just 5 percent. In a second phase of eastern enlargement, Bulgaria and Romania joined the EU in January 2007, while Croatia completed negotiations for accession in 2011 and joined the EU in July 2013 (See Table 4.1 and Map 4.1.)

Eastward expansion was symbolically important in three ways: it provided final and emphatic confirmation of the end of the Cold War division of Europe, was a decisive step in the transformation of former Soviet bloc states from communism to liberal democracy, and gave new meaning to the word *European*. Until 2004 the EU had been a Western European league, and the absence of eastern neighbors from membership reflected the political, economic, and social divisions of the continent. By 2007, almost all of Europe had finally been brought together under the umbrella of the EU.

Today, Albania, North Macedonia, Montenegro, Serbia, and Turkey have been accepted as candidate countries, meaning that membership has been agreed to in principle, while Kosovo, and Bosnia-Herzegovina have applied for membership and have signed “stabilization and association” agreements with the EU. But the prospects for further enlargement any time soon are slim, given the difficulties it has had absorbing Eastern European states and the fact that these candidates face significant political and economic problems. Moreover, the Ukraine crisis and tensions with Russia (see Chapter 16) have made further eastward expansion all but politically impossible in the near future.⁸

TABLE 4.1 Development of the EU

Year	Member States	Cumulative Population (Millions)
1952	Belgium, France, Italy, Luxembourg, Netherlands, West Germany	160
1973	UK, Denmark, Ireland	233
1981	Greece	249
1986	Portugal, Spain	322
1990	East Germany (via German reunification)	339
1995	Austria, Finland, Sweden	379
2004	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia	
2007	Bulgaria, Romania	500
2013	Croatia	504 (2020 = 513)
2020	UK (withdrawal after Brexit)	447



MAP 4.1 Growth of the EU, 1990–2013.

A CONSTITUTION BY ANOTHER NAME: THE TREATY OF LISBON (2001–2008)

With the failure of the constitutional treaty in 2005, EU governments pondered how best to move forward, eventually deciding to revive much of the content of the treaty in the form of what was ultimately named the Treaty of Lisbon. After an intergovernmental conference in 2007 in Lisbon, where it was signed the following December, its key provisions were:

- The creation of the positions of President of the European Council and a High Representative of the Union for Foreign Affairs and Security Policy – an EU foreign minister in all but name

Box 4.2 Democracy and the Free Market: The Copenhagen Criteria

With the institutional and policy change emanating from Maastricht, the time was ripe for new consideration of enlargement. The territory of the EU had expanded in 1990 as a result of German reunification, but this was a domestic matter rather than a broader issue of enlargement. Nonetheless, it added a new dimension to discussions about the eventual possibility of EU membership for Eastern European states, which was given new meaning by the end of the Cold War and the drawing aside of the iron curtain. It was always informally understood that countries applying for membership in the European Community should be European, although there was doubt about exactly what this meant. There was little question of rejecting an application from Morocco in 1987, while the eight remaining non-EU Western European countries all had strong prospects for joining. But further east the lines became fuzzy. Assuming that Europe's eastern border is marked by the Ural Mountains (deep inside Russia), eighteen more countries theoretically qualified for membership in 1992: seven in Eastern Europe, six former Soviet republics, and five former Yugoslavian states.

Focus sharpened in June 1993 when the European Council, meeting in Copenhagen, agreed on a set of terms for membership. The so-called Copenhagen criteria required that applicant states must:

- Be democratic, with respect for human rights and the rule of law
- Have a functioning free-market economy and the capacity to cope with the competitive pressures of capitalism
- Be able to take on the obligations of the *acquis communautaire* (the body of laws and regulations already adopted by the EU).

To ensure that it meets these commitments, each candidate for membership is monitored by the Commission, including its application of EU legislation. Throughout the process, the Commission is tasked with informing the European Council and the EP on a candidate's progress through regular reports and strategy papers. In addition, the EU has to decide (as stated on the EU website for "Enlargement") whether it has "the capacity to absorb new members." As will be discussed in Chapter 16, a number of countries are currently candidates – even if most all are highly unlikely to be admitted anytime in the near future.

- Formal establishment of the European Council as an institution in its own right
- Abolition of the pillar structure of Maastricht and of the European Community
- A new formula for qualified majority voting within the Council of Ministers
- New powers for the EP, including giving it and the Council of Ministers equal power over proposals for almost all EU legislation
- Recognition of the rights laid out in the Charter of Fundamental Rights (see Chapter 13 for more details)
- A single "legal personality" for the EU (rights and duties within a single legal framework)
- Rights of action, consultation, recognition, support, and the secession of member states (Article 50, a clause first invoked with Brexit).

While every other state in the EU took the position that Lisbon was simply an amendment to past treaties (and therefore ratified it through parliamentary means), Ireland once again put the issue to the voters in a referendum, where it was rejected in June 2008. Its defeat owed much to false information propagated by the treaty's opponents, who claimed that Lisbon would endanger Irish neutrality, would mean radical changes in tax policy, and would legalize abortion in Ireland. To placate the Irish, new protocols to the treaty were added which not only attempted to assuage any fears that these things might happen but also retracted some institutional changes, such as the proposal to reduce the number of commissioners. A new vote on the treaty was held in Ireland in October 2009, and this time the result was an overwhelming 67 percent in favor. The following month, Czech president Vaclav Klaus (a well-known Euroskeptic who had held up ratification pending the Irish referendum and his own satisfaction as to the treaty's provisions) signed on to ratification and the treaty came into force.

THE FINANCIAL AND DEBT CRISIS (2008–2015)

Whatever residual concerns had existed about the way the Treaty of Lisbon had been designed and approved were swept aside when an economic crisis broke out in the eurozone. The roadmap to these problems can be traced back to (1) flaws in the design and execution of the euro,⁹ (2) violation of the rules of membership in the euro by several states (above all, lax fiscal discipline), and (3) a global financial crisis that began in the US in 2007¹⁰ and then migrated across the Atlantic, severely impacting a number of countries who were already dealing with their own domestic economic problems.

Although some European countries, such as Germany, appeared to initially weather the economic storm, others were hit hard, for a variety of reasons. Ireland and Latvia's property bubbles burst, leading to tremendous stress on the banking industry as defaults on loans (largely tied to the property boom) rose dramatically. Economic meltdown loomed as the economy fell into recession, tax revenues plummeted, and unemployment increased sharply. A housing bubble burst and reverberated throughout the Spanish economy, threatening to engulf its banking sector. Unemployment soared to almost a quarter of the population (with over 50 percent of young Spaniards unemployed); Spanish government debt rose and its borrowing costs skyrocketed.¹¹ Portugal was another country especially vulnerable to the global financial crisis: anemic economic growth throughout the early 2000s combined with rising budget deficits led to repeated violations of the rules set down for the common currency and a precarious economic situation by 2008. Meanwhile Cyprus sank into a deep economic recession, and its own banking sector virtually collapsed due to risky loans and entanglement with the Greek economy.

No country was harder hit by the recession than Greece, and its difficulties had synergistic effects on the entire eurozone. Greece's main industries were especially susceptible to economic downturns. Moreover, as it sought financial help from the EU it was revealed that Greek leaders had for years mismanaged the economy while underreporting Greece's debt load, fudging its balance sheet even as it adopted the euro. In the spring of 2010 the country's sovereign rating was downgraded to "junk" status. This meant that investors worried that putting money in the Greek economy was extremely risky; consequently, they demanded a high interest rate (up to 22 percent) if they were going to invest in Greek treasury bonds. Greece began a slide toward financial insolvency, given that servicing the interest and debt on high-interest treasury bonds would bankrupt it (imagine, for example, the difference in trying to pay off a huge credit card bill when the interest on your debt is



"DO YOU SEE ANY SIGNS OF IMPROVEMENT IN THEIR CONDITIONS?!"

PHOTO 4.1 Contagious Ward of Eurozone.

Source: Cartoonist: Pletch-Eldon Pletcher; www.cartoonstock.com.

2 percent – a more normal bond interest rate – versus 22 percent!). Fears spread that without a massive bailout it would be forced to leave the eurozone and re-adopt the drachma (even while remaining a member of the EU), the so-called "Grexit."

Supporters of Grexit argued that readopting the drachma would make Greek goods more competitive by making them cheaper on the world market, possibly sparking an economic revival (much like Argentina experienced after it severed its ties to the dollar in 2002). For opponents of Grexit, however, the cons were numerous. Reintroducing the drachma would take several months, and it was highly likely that without draconian measures Greeks would take their money out of the country, safeguarding their now more valuable euros. Goods from the eurozone would be much more expensive and the Greek government would find it hard to borrow from international markets. And Greece's foreign debt, still denominated in euros, would grow tremendously in relation to the devalued drachma-based economy. Moreover, the EU itself might suffer, with hard-to-calculate psychological effects on investors and lenders, as the euro would no longer be seen as an iron-clad currency union.

Despite the urgency, the EU's initial response to the crisis was slow and inadequate. Eventually, as the severity became clearer the EU responded more robustly: the European Central Bank stepped in to buy government bonds, thus lowering borrowing costs for countries at risk, and the EU agreed to bailouts for Ireland, Spain, Portugal, and Cyprus. However, as Greece's problems were to some extent self-inflicted, Germany (supported especially by the Netherlands and Finland) took an especially hard line, arguing that any financial assistance should be contingent upon Greece slashing its budget, cutting government spending dramatically, and agreeing to strict oversight from the EU.¹² Something of a

north–south divide in the EU over Greece emerged, with northern, wealthier states arguing for stricter bailout terms while southern EU states urged more forgiving ones.

Eventually a series of loans to Greece from the so-called “troika” – the European Commission, the European Central Bank, and the International Monetary Fund – ensued. However, the troika’s policy of forced austerity proved deeply unpopular in Greece. Several governments collapsed and political turmoil followed, with the radical-left party Syriza taking power in January, 2015. Syriza began a series of negotiations to soften the conditions of its bailout. Yet confronted with the very real possibility of a Grexit, it stepped back from the brink and surprisingly agreed to an even stricter bailout agreement.¹³ Since that time, the Greek crisis has receded although it would be naive to suggest that all is well. Its debt load and fiscal balances have improved significantly, modest economic growth has returned, and unemployment is down from its peak in 2013 (albeit, still high at 18 percent). Still, it has been estimated that even with 2 percent annual growth, the Greek economy will not return to its pre-crisis size until the early 2030s. Moreover, Greeks are poorer now: while Greek GDP per capita was about 80 percent that of Germany before the crisis, in 2019 it stood at 55 percent.¹⁴ Meanwhile, Syriza was ousted from power in the general election of July 2019. The new government led by the party “New Democracy” wants to lighten Greece’s austerity burden. It does not, however, advocate any radical change in its relationship to the EU.

Measures taken by the EU since 2010 to address the economic crisis have stabilized the rest of the countries of the eurozone. These include a modest economic growth initiative, some steps toward a future banking union and bank oversight, a tightening of the criteria governing membership in the euro (known informally as the “Fiscal Compact”), and a new organization and procedure for administering EU bailout funds (the European Stability Mechanism) (see more discussion of all of these in Chapters 9 and 12). This has been especially true in Ireland, Latvia, Portugal, and Spain, where despite unemployment remaining uncomfortably high, borrowing costs/interest rates on government bonds have come down and economic growth has returned. Still, it remains to be seen whether measures taken by the EU will prove to be decisive enough in the long run to return the eurozone to robust growth and to ward off any future crisis. Indeed, a harsh critic of the Euro, Nobel prize-winning economist Joseph Stiglitz, has pronounced that the Euro was “flawed from birth” and that the EU should either abandon it as a common currency for the nineteen member states, or undertake significantly more far-reaching reforms than it has hitherto been willing to do.¹⁵

THE MIGRATION CRISIS (2015–2018)

On the heels of the financial and debt crisis came the largest refugee influx into Europe since World War II. For some observers, the migration crisis illustrated the perils of the Schengen accords and a “borderless Europe,” misjudgments on the part of EU leaders (chief among them Germany’s Angela Merkel), and a woefully underfunded border control system. For others, the crisis was less a matter of EU failures (although there were certainly plenty of these) than a perfect storm of conditions in the wake of a civil war in Syria, the collapse of stable government in Libya (and very weak governments in other countries), and a rising level of antagonism between the EU and Turkey (a major smuggling route for migrants).¹⁶ The increase in migration was sudden and dramatic: according to Europol, there were some 1.8 million irregular border crossings into the EU in 2015, an increase of 546 percent compared to 2014.¹⁷ The human tragedy of the migration crisis was driven home by high-profile fatal incidents that claimed thousands of migrant deaths.¹⁸ Although the number of border crossings into Europe declined slightly in 2016, Greece and Italy (and later, Spain¹⁹) saw

sharp increases during that year. Because the vast majority of these migrants were not classic “economic migrants” (i.e., those simply seeking work, which the EU had dealt with for decades) but rather refugees seeking political asylum, the EU was required by international law to take them in and have their cases legally adjudicated. From 2015 onward such requests were overwhelming. In this respect, the EU’s migration crisis paralleled later developments in the US from 2017 onward, where the sharp increase in illegal immigration could almost solely be traced to asylum seekers fleeing violence in Central America.

Initially the EU struggled with how to handle the scope and complexity of the migration crisis. Even though most migrants’ ultimate destination was the wealthier, northern EU states (primarily Germany and Sweden), the southern, frontline EU states disproportionately bore the brunt of refugees, with Italy registering over 180,000 migrants in 2016.²⁰ Not surprisingly, with the collective temperature rising due to the strain of the crisis, sharp disagreements erupted among EU states, most often manifested in an east–west divide. Poland, the Czech Republic, Slovakia, and Hungary – the latter of which erected a fence along its borders to keep refugees out – fiercely resisted attempts to take in migrants, arguing that they were both economically unprepared and culturally unsuited to receive them. Xenophobic attitudes surfaced as well, with dark warnings of “Muslim invaders” or the dangers of migrants spreading disease. In contrast, Angela Merkel of Germany decided to unilaterally welcome hundreds of thousands of migrants, breaking agreed-upon EU rules (the “Dublin Regulation,” discussed in Chapter 13) which mandated that migrants register and go through the asylum process in the state where they first entered the EU and remain in that country until a determination was made.

In the fall of 2015, the EU pushed through a plan to voluntarily redistribute some 160,000 refugees among all the EU states (see Chapter 13). Yet resistance was fierce, with qualified majority voting, rather than consensus, ultimately used to reach the agreement. So far the voluntary resettlement plan has been, in the words of EU scholar Laurie Buonanno, an “enormous flop,”²¹ with only 272 refugees having been relocated by 2017. Indeed, in that same year the Commission sued the Czech Republic, Hungary, and Poland over their failure to accept the required quotas of refugees. As of this writing, the EU has been unable to force these three states to fulfill their obligations, which they argue was voluntary, not mandatory. Similarly, the EU has been unable to agree to rules harmonizing asylum procedures across the bloc²² and new resistance to resettling migrants is now being echoed by right-wing populists in Italy.²³ Still, stepped-up border patrols under Frontex (discussed in Chapter 14) and the closing of migration routes, (much criticized) agreements struck with Turkey and Libya²⁴ to keep migrants in those countries, and the waning of political violence in Syria has led to a drop in irregular migrants coming into the EU. While almost 1.3 million applications for EU asylum protection were filed in 2016, this figure declined to 728,000 in 2017 and 634,000 in 2018.²⁵

ANOTHER BLOW TO THE EU: BREXIT (2016–2020)

The ripple effects of the financial and refugee crises in the last decade sparked another consequence: the growth of EU-skeptic or EU-phobic parties, which managed to secure about one-third of the seats in European elections in the spring of 2014. However, EU skepticism was not limited to extreme right, anti-EU parties. Partly as a consequence of the financial crisis, partly as a result of backlash from immigration into the UK from other EU states, and partly, as we have seen in previous chapters, as a consequence of longstanding EU-skeptical attitudes among the UK public and within his own Conservative party, in 2013 Prime Minister David Cameron promised an “in-out” referendum on continued UK membership in

the EU. Cameron wagered that he could secure a better deal for the UK (or as he called it, a “new settlement”) vis-à-vis the EU while placating his Tory opponents with a referendum that, in light of this new deal, he thought could win.²⁶ Consequently, he would strengthen his position as prime minister – a woeful miscalculation as it turned out.

Despite an agreement reached between Cameron and EU leaders on the “new settlement,” the Conservatives remained deeply split (as was the Labour Party), with prominent voices, such as former mayor of London Boris Johnson, supporting the “leave” campaign. While those in favor of “remain” argued that the UK benefitted enormously from the single market, Brexit supporters suggested that the UK could secure better trade deals on its own, that UK democracy was threatened by a European superstate, and that the country was being flooded by foreigners, refugees as well as legal migrants from other EU states. On June 23, 2016, the results of the “in-out” referendum surprised most observers, with almost 52 percent of voters opting to leave the EU. Cameron resigned shortly thereafter and the Conservatives voted in Theresa May as the new prime minister.

Though a supporter of “remain,” May immediately assured Brexit hardliners that she would respect voters’ wishes and set about trying to find ways to negotiate a divorce deal acceptable to Brexiters and to the EU. Yet a compromise solution seemed impossible to find: EU leaders were in no mood to agree to the UK cherry picking a favorable trade agreement while rebuffing EU rules on the free movement of people. After several deals she reached in negotiation with other EU leaders failed to pass the House of Commons, May announced her resignation in May of 2019 and Boris Johnson took over as prime minister. Although Johnson initially faced the very same problems as May – a House of Commons that simply could not agree on the terms of Brexit – he was able to cut the Gordian Knot by calling for an early election in December 2019. The Conservatives’ overwhelming victory finally ended speculation that Brexit would be reversed while at the same time quieting (for the time being, anyway) Johnson’s opponents in the Conservative Party who had been calling for a “no-deal” Brexit. The possibility of a no-deal Brexit was feared by both the EU and even most Tories. In the event of a “no deal,” the UK and EU would not only, presumably, slap tariffs on one another’s goods, but goods from either side would also be subject to customs inspections. The result could very well be gigantic traffic jams at the borders, as food rots (about one-third of the food consumed in the UK comes from the EU), medicines are not easily admitted, and manufacturing grinds to a halt.²⁷

At the time of this writing, it remains to be seen exactly what kind of future economic relationship the UK will have with the EU. Boris Johnson hopes to conclude a new trade deal with the EU by the end of December, 2020 – although most observers think anything more than a “bare bones” trade agreement is highly unlikely by that time.²⁸ The most significant issue yet to be resolved in the wake of Brexit concerns the territorial integrity of the UK itself. Unlike the English, Scots voted overwhelmingly against Brexit, as did the Northern Irish. While Scotland has threatened to hold another referendum on Scottish independence in the wake of the Conservatives’ election victory, Northern Ireland fears a renewed outbreak of sectarian violence – a return of “the troubles” – as a hard border returns between it and Ireland, the latter of which remains in the EU. As the *New York Times* notes, “to reimpose the border is like putting up the Berlin Wall again, after you’ve taken it down.”²⁹ Theresa May’s final negotiated deal with the EU addressed this issue through an “Irish backstop” which provided for a period in which the border would continue to be open while Northern Ireland (and the UK, in turn) remained aligned to many EU rules. Brexit supporters wanted none of this band-aid bartering and thus the deal collapsed. Johnson, in an attempt to avoid both redrawing the hard border as well as leaving the UK tied to EU rules, has proposed having Northern Ireland sit inside the EU’s custom union, drawing the economic border (i.e., border checks) in the Irish Sea between it and the rest of the UK, at least for the time being.

In the immediate aftermath of Brexit, some feared (while others, of course, welcomed) a potential imminent collapse of the EU: it was thought that Brexit would have a “contagion” or domino effect, emboldening anti-EU populists across Europe to push for their own “Frexit” (France), “Nexit” (Netherlands), or even “Italeave.” Yet this contagion has thus far failed to materialize. To be sure, right-wing populist parties have gained strength in many countries, are in power in Hungary and Poland, and have even governed, until recently, in coalitions in Italy and Austria, where they have pushed governments further to the right. Still, expected huge gains for anti-EU parties in the EP elections of 2019 largely failed to come to pass (see discussion in Chapter 7). EU-supportive parties performed well, even if some establishment parties did not. Public support for the EU across member states has risen by roughly 10 percent since the 2016 Brexit referendum, and right-wing populist parties no longer speak of leaving the EU (although their criticisms of it continue unabated).³⁰ Moreover, rather than contagion, EU member states appear more unified than ever on the question of the benefits of EU membership, while many countries outside the union continue to press for entrance into the club.

QUESTIONS TO CONSIDER

- 1 What effects has eastern enlargement had on the development of the EU in terms of its cohesion and identity?
- 2 In light of the EU’s problems in dealing with recent economic crises, can the euro be considered a success or were early critics of the euro right after all?
- 3 Were the three crises the EU experienced over the last decade unavoidable or could they have been averted?

NOTES

- 1 For details, see Amy Verdun, “The Euro and the European Central Bank,” in *Developments in the European Union 2*, 2nd ed., edited by Maria Green Cowles and Desmond Dinan (New York: Palgrave Macmillan, 2004).
- 2 See Anthony Wallace, “Completing the Single Market: The Lisbon Strategy,” in *Developments in the European Union 2*, edited by Cowles and Dinan.
- 3 For an analysis of the origins, negotiation, and conclusion of the Treaty of Amsterdam, see Desmond Dinan, “Treaty Change in the European Union: The Amsterdam Experience,” in *Developments in the European Union*, edited by Laura Cram, Desmond Dinan, and Neill Nugent (Basingstoke, UK: Macmillan, 1999).
- 4 See Birgit Locher, “Gendering the EU Policy Process and Constructing the *Gender Acquis*,” in *Gendering the European Union: New Approaches to Old Democratic Deficits*, edited by Gabriele Abels and Joyce Marie Mushaben, 63–84 (New York and London: Palgrave Macmillan, 2015).
- 5 For details, see Desmond Dinan, “Reconstituting Europe,” in *Developments in the European Union 2*, edited by Cowles and Dinan.
- 6 Those countries which had postponed or cancelled making a decision were the Czech Republic, Denmark, Ireland, Poland, Portugal, Sweden, and the UK.
- 7 “Europe’s Mexico Option,” *The Economist*, October 5, 2002, 36.
- 8 Alex Barker, “EU Offers Stronger Ties to Eastern Nations – But Cautiously,” *Financial Times*, May 22, 2015, at www.ft.com/intl/cms.
- 9 Caroline De La Porte and Elke Heins, “The Aftermath of the Eurozone Crisis: Towards Fiscal Federalism?” in *The European Union in Crisis*, edited by Desmond Dinan, Neill Nugent and William E. Paterson, 149–166 (London and New York: Palgrave, 2017).

- 10 In the words of the historian Ian Kershaw, the economic crisis “was made in the United States, though with willing European accomplices.” Ian Kershaw, *The Global Age: Europe 1950–2017*, 489 (London and New York: Viking, 2018).
- 11 “Going to Extra Time,” *The Economist*, June 16, 2012, 26–28.
- 12 Regarding Germany’s position on the euro crisis see for example Hans-Werner Sinn, “Why Berlin Is Balking on a Bailout,” *New York Times*, June 13, 2012, A23; see also Nicholas Kulish, “Germany Is Open to Pooling Debt, with Conditions,” *New York Times*, June 5, 2012, A1.
- 13 Peter Spiegel, “EU Frustration over Greece Hits Boiling Point at Eurogroup Meeting,” *Financial Times*, April 24, 2015, at www.ft.com/content/962eac8a-ea83-11e4-a701-00144feab7de, accessed April 25, 2015.
- 14 Martin Wolf, “Greek Economy Shows Promising Signs of Growth,” *Financial Times*, May 19, 2019, at www.ft.com/content/b42ee1ac-4a27-11e9-bde6-79eaea5acb64, accessed June 28, 2019.
- 15 See Joseph E. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe* (New York and London: W.W. Norton & Company, 2016).
- 16 Laurie Buonanno, “The European Migration Crisis,” in *The European Union in Crisis*, edited by Dinan, Nugent and Paterson, 100–130.
- 17 Europol, *Migrant Smuggling in the EU*, at www.europol.europa.eu/publications-documents/migrant-smuggling-in-eu, accessed July 1, 2019.
- 18 “EU Ministers Urged to Act after Hundreds of Migrants Feared Dead,” *Financial Times*, April 20, 2015, at www.ft.com/content/716931fe-e673-11e4-afb7-00144feab7de, accessed April 27, 2015.
- 19 In 2018, 56,000 migrants crossed into Spain, about as much as in Italy and Greece combined. See Jon Henley, “What is the Current State of the Migration Crisis in Europe?” *Guardian*, November 21, 2018, at www.theguardian.com/world/2018/jun/15/what-current-scale-migration-crisis-europe-future-outlook, accessed July 1, 2019.
- 20 “Fewer Migrants at EU Borders in 2016,” *Frontex News Release* at <https://frontex.europa.eu/media-centre/news-release/fewer-migrants-at-eu-borders-in-2016-HWnCIJ>, accessed July 1, 2019.
- 21 *Ibid.*, 116.
- 22 Jennifer Rankin, “EU Declares Migration Crisis Over as it Hits out at ‘Fake News,’” *Guardian*, March 6, 2019, at www.theguardian.com/world/2019/mar/06/eu-declares-migration-crisis-over-hits-out-fake-news-european-commission, accessed on July 1, 2019.
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- 24 For a harsh assessment of the deals the EU struck with Turkey and Libya to curb migration, see Bret Stephens, “An Immigration Policy Worse than Trump’s,” *New York Times*, July 5, 2019, at www.nytimes.com/2019/07/05/opinion/immigration-trump-southern-border.html, accessed July 6, 2019.
- 25 “Asylum and Migration in the EU: Facts and Figures,” *European Parliament News*, at www.europarl.europa.eu/news/en/headlines/society/20170629STO78630/asylum-and-migration-in-the-eu-facts-and-figures, accessed June 30, 2019.
- 26 Lee McGowan and David Phinnemore, “The UK: Membership in Crisis,” in *The European Union in Crisis*, edited by Dinan, Nugent and Paterson, 77–99.
- 27 Amie Tsang, “What Would a No-Deal Brexit Look Like?” *New York Times*, April 2, 2019, at www.nytimes.com/2019/04/02/world/europe/brexit-no-deal-outcomes.html, accessed April 3, 2019.
- 28 See Mark Landler and Stephen Castle, “And You Thought Brexit Was Tough,” *New York Times*, January 8, 2020, at www.nytimes.com/2020/01/08/world/europe/brexit-united-kingdom.html, accessed January 10, 2020.
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- An assessment of the negotiations that led up to the treaties of Amsterdam and Nice by a Commission staff member who took part.
- Peter Poole, *Europe Unites: The EU's Eastern Enlargement* (Westport, CT: Praeger, 2003); Neill Nugent, ed., *European Union Enlargement* (Basingstoke, UK: Palgrave Macmillan, 2004); John O'Brennan, *The Eastern Enlargement of the European Union* (London: Routledge, 2006).
- Three of the large number of assessments of enlargement that have been published in recent years.
- Jean Pisani-Ferry, *The Euro Crisis and its Aftermath* (Oxford: Oxford University Press, 2011); Joseph Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe* (New York: W.W. Norton & Company, 2016).
- Two critical analyses of the origins of the eurozone crisis, the EU's responses, the possible long-range impacts, and what reforms to the euro should be made.
- Kevin O'Rourke, *A Short History of Brexit* (London: Penguin UK, 2019).
- A critical analysis of the historical relationship between the UK and EU, and – despite its title – the long-term factors which impacted the Brexit vote, in addition to the challenges the question of the Irish border presents.