From Common Market to European Union: Creating a New Model State?

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Boston College

The Graduate School of Arts and Sciences

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FROM COMMON MARKET TO EUROPEAN UNION:
CREATING A NEW MODEL STATE?

A dissertation

by

PETER MOLONEY

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for the degree of

Doctor of Philosophy

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In 1957, the Treaty of Rome was signed by six West European states to create the European Economic Community (EEC). Designed to foster a common internal market for a limited amount of industrial goods and to define a customs union within the Six, it did not at the time particularly stand out among contemporary international organizations. However, by 1992, within the space of a single generation, this initially limited trade zone had been dramatically expanded into the world’s largest trade bloc and had pooled substantial sovereignty among its member states on a range of core state responsibilities. Most remarkably, this transformation resulted from a thoroughly novel political experiment that combined traditional interstate cooperation among its growing membership with an unprecedented transfer of sovereignty to centralized institutions. Though still lacking the traditional institutions and legitimacy of a fully-fledged state, in many policy areas, the European Union (EU) that emerged in 1992 was nonetheless collectively a global force.

1 In 1952, the Treaty of Paris established the European Coal and Steel Community, (ECSC). In 1958, the Treaty of Rome created the EEC and the Euratom Treaty created the European Atomic Energy Community (EAEC). In 1965, the EEC, ECSC and EAEC were merged under a single treaty and thereafter called the European Communities (EC). In turn, these communities became part of the European Union (EU) under the Treaty of European Union (TEU) in 1993.
2 The UN and the GATT had a global impact, NATO had real military power.
4 These included a parliament, a commission and a court of justice.
My dissertation argues that the organization’s unprecedented transfer of national sovereignty challenged the very definition of the modern European state and its function. In structure and ambition, it represented far more than just a regional trade bloc among independent states: it became a unique political entity that effectively remodelled the fundamental blueprint of the conventional European state structure familiar to scholars for generations.

How did such a dramatic transformation happen so quickly? I argue that three forces in particular were at play: the external pressures of globalization, the search for a new Western European and German identity within the Cold War world and the often unintended consequences of the interaction between member state governments and the Community’s supranational institutions. In particular, I examine the history of the EEC’s monetary union, common foreign policy, common social policy and the single market to explain the impact of the above forces of change on the EEC’s rapid transformation.
In memory of Anna, with thanks to the priceless patience and support of Ainsley
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Introduction

Argument

In 1957, six West European states signed the Treaty of Rome, establishing the European Economic Community\(^1\) (EEC). Originally designed to foster a common internal market for a limited amount of industrial goods and to define a customs union within the Six, neither its reach nor its ambition seemed to single it out among contemporary international organizations as in any way remarkable.\(^2\) However, by 1992, within the space of a single generation, this initially limited trade zone had dramatically transformed into the world’s largest trade bloc and single market, on par with the United States and Japan in global economic fora, and also exercised political powers previously the exclusive domain of sovereign states.\(^3\) Most remarkably, this transformation resulted from a thoroughly novel political experiment that combined traditional interstate cooperation among its growing membership with a unique pooling of sovereignty under centralized institutions. Though still lacking the traditional legitimacy of an established state, in many areas, the descendent of the EEC, the European Union (EU), which emerged in 1992, was clearly more powerful than the sum of its parts.

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\(^1\) In 1952, the Treaty of Paris created the European Coal and Steel Community, (ECSC). In 1958, the Treaty of Rome created the EEC and the Euratom Treaty created the European Atomic Energy Community (EAEC). In 1965, the EEC, ECSC and EAEC were merged under a single treaty and thereafter called the European Communities (EC). In turn, these communities became part of the European Union (EU) under the Treaty of European Union (TEU) in 1993. I will use the appropriate acronym according to the time period in question.

\(^2\) The UN and the GATT had a global impact, NATO had real military power. The EEC at first appeared to be a limited trade zone.

\(^3\) Under the Treaty of European Union (TEU), the new EU gained significant supranational power in areas such as monetary policy, agricultural policy, trade, competition policy, social policy and environmental policy as well as advanced international cooperation in foreign policy. It also granted European citizenship. According to Andrew Moravcsik, ‘The construction of the EC ranks among the most extraordinary achievements in modern world politics…’ Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca: Cornell University Press, 1998) p. 1.
EU governance features a complex supranational institutional structure, including a directly elected representative parliament, a court of justice and a commission of unelected civil servants that exercises real and significant influence on the everyday lives of European citizens. While the overall structure of the EU after 1992 retained some traditional characteristics of a loose international organization, I argue that the unprecedented levels of national sovereignty transferred by member states to central authority since 1958 challenged the very definition of the modern European state and its function. By its structure and ambition, it represented far more than just a regional trade bloc among sovereign states: it had become a unique new political entity that effectively redefined the fundamental blueprint of the conventional European state structure familiar to scholars for generations.

How did such a dramatic transformation happen so quickly? I argue that three forces in particular were at play: globalization, the search for a new Western European and particularly German identity within the Cold War world and the, often unforeseen, policy impact of the European Commission and the European Court of Justice (ECJ). These two institutions grew to assume the role of gatekeeper for the founding treaties’ expressed purpose of ‘ever closer union’ among member states.

My dissertation traces the long roots of these forces that reshaped Western Europe and, by placing them in their historical context, explores their influence on decades of policy development and adaptation within the Community. While my research confirms that member state governments continued to play a pivotal role within the organization into the 1990s, I argue that the forces outlined above combined to create a genuinely new model of governance that has permanently altered the traditional political structure of
Western Europe from a collection of independent, sovereign states into a political union of increasingly integrated state structures that have voluntarily ceded sovereignty to a handful of core Community institutions.¹

**Methodology and Sources**

My methodological approach links several key policy areas, including economic policy, monetary union, foreign policy, regional development and social policy, none of which can be properly understood in isolation. As an organization, the EEC has always advanced by ‘bundling’ policies, each of specific importance to particular member states and Community institutions, into a more global and generally acceptable agreement. Though often carrying the tag of ‘lowest common denominator’ politics, this bargaining approach has been the Community’s *modus operandi* since the beginning. Consequently, any historical analysis of the EEC must proceed along a similar methodological path of viewing common policies in a broader context and from a more Community-based perspective. Moreover, important decisions have involved more than the member states alone, with input from EEC institutions and non-government actors playing a key role. Based on my research, I argue that the roots of the most significant policies enshrined in the 1992 Treaty on European Union (TEU), or Maastricht Treaty, which created the EU, can be directly traced back to decisions taken in the late 1960s in the context of very specific global and regional economic and political challenges.

Second, although the final decade (1982-1992) of the time period covered in my thesis is still subject to archival restrictions, I believe that the nature of my topic helps to minimize this obstacle. Thanks to the substantial amount of available Community

publications, the EEC’s obsession with media relations, the enormous number of published memoirs from senior national and Community leaders, online interviews and saturated press coverage, the recent history of the EEC offers many windows of entry into daily institutional activities, political exchanges and key policy decisions.

My thesis builds on the existing literature to expand our understanding of the complex and multi-dimensional roots of the EU. To this end, I use a broad variety of sources, including national government archives, European Commission and Council archives, trade union and business group publications and individual interviews, reflecting the important role of all these players in the Community’s decision-making process.

Themes

By accounting for the input of a more diverse range of actors, my argument will outline a more historical picture of the forces in play, featuring three main themes. First, the Maastricht Treaty’s ambitious common action in the economic, political and social fields was not born in the 1980s: it had been comprehensively explored and developed for several decades by state and non-state actors but was not pursued for reasons of member state reticence and institutional inertia. My research will trace the deep roots of the Treaty provisions through decades rather than just years and involving a much broader scope of state and non-state actors than usually acknowledged. Despite the posturing of European political leaders in the early 1990s, many of Maastricht’s provisions were neither a product of recent invention nor the brainchild of state leaders alone.

Second, several key decisions taken by EEC member states and institutions early in the Community’s life, often to tackle specific, short-term, challenges of the day,
directly caused unintended long-term consequences that bound the Community to an unscripted path of political and institutional development. These unintended consequences included the development of meaningful powers for Community institutions beyond the wishes of many member states. Such a phenomenon has been explored in political science literature, most notably by Paul Pierson. In *Politics in Time*, Pierson demonstrates how the act of closing off alternative policy paths at an early stage in the life of a political entity can have significant repercussions far into the future. He labels this phenomenon ‘path-dependent sequences’.

‘Initial steps in a particular direction may encourage further movement along the same path. Over time, ‘roads not chosen’ may become increasingly distant, increasingly unreachable alternatives. Relatively modest perturbations at early stages may have a large influence on these processes. In many cases, the significance of early events or processes in the sequence may be amplified, while that of later events or processes dampened. Thus, when a particular event or process occurs in a sequence will make a big difference.’

In practice, the ambiguous wording of the Treaty of Rome coupled with institutional imbalances within the fledgling organization helped cause these unintended consequences. Since the early years of the EEC, the ECJ has provided a prime example of a Community institution benefiting from treaty ambiguity and institutional conflict. While it seems unsurprising that a state’s supreme court should prove pivotal to the stability and durability of that state, the ECJ breaks new ground by not belonging to any traditional state and by effectively overriding the supreme courts of member states. However, if the French legal scholar, Maurice Torelli, is correct, this may not be the first time that a legal body has led the way in creating a political entity.

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‘The legal specialists of Philippe the Fair created France….it is the lawyers who will create Europe, if the politicians are only willing to listen to them.’

Though often underemphasized, the power invested in the Court by the Treaty of Rome meant that it enjoyed one major asset that even the Council or the Commission lacked: its rulings legally bound member states and citizens to a limited number of political choices and equally excluded any significant revision of key decisions. Once the ECJ made a final ruling, all other Community institutions and member states were obliged to obey.

‘European law from early on made certain kinds of policy more feasible than others, and not always quite in the way that policy-makers had originally intended.’

When the Treaty of Rome defined the role of the ECJ as the final arbitrator on Treaty questions, it was a broad definition and seemed merely to be ensuring basic legal uniformity within the EEC, a prerequisite to any functioning common market. However, from the earliest days, the Court regularly expanded its legal interpretations into areas not specified in the 1958 Treaty, thereby opening new, unintended, avenues of common policy. In particular, the Court has consistently ruled in favour of direct applicability of EEC law on its citizens, forcing member states to accept limits on their national sovereignty in specific areas, including international trade, environmental protection and,

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8 The ECJ’s role and jurisdiction are defined in Treaty of Rome articles 164-188. Article 164 reads “The Court of Justice shall ensure that in the interpretation and application of this Treaty the law is observed.”
fundamentally, the relationship between member states and their citizens. In specific areas, the flow of court rulings helped the Community to resemble a fully-fledged state from a very early stage.

'The output of European governance is like that of a state, even a super state: An endless stream of laws in increasingly varied areas of public and private life. They are binding on governments and individuals as part of the law of the land. Indeed, they are a higher law of the land – supreme over conflicting state laws.\(^9\)

The third theme is temporal in nature. The period during which the EEC most dramatically defined its purpose and place in the world, 1969-1979, has often been portrayed as a doldrums decade, when any progress towards integration was smothered by international economic and political crises. While it is true that few dramatic decisions towards closer union were taken by the Community elite during the 1970s, I will argue that many of the building blocks for Maastricht’s most notable foundations were put in place during this time and involved major input from Community institutions and non-government actors.

'The 1970s are often portrayed as a period of stagnation in European integration, yet this characterization is true only from a federalist perspective that focuses on the institutional centralization of administrative and democratic decision-making. From the perspective of substantive policy-making, the 1970s was a decade of both consolidation and innovation.\(^11\)

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9 “The Community constitutes a new legal order of international law….community law therefore not only imposes obligations on individuals but it also intended to confer upon them rights which become part of their legal heritage.” Case 26/62 Van Gend en Loos [1963] ECR 1-0001, paragraph 11.


Instead of seeing the ambitious slate of initiatives realized or launched under the Delors presidency as an outcome of favourable developments in the 1980s, it might be worth tracing their roots to the 1970s.\textsuperscript{12}

These building blocks include EMU, regional policy and a common social policy, not to mention the institutional changes during this decade, including the regular meetings of the European Council from 1974, the first direct elections of the European Parliament in 1979 and the gradual revival of the European Commission as the engine of legislative initiation following its marginalization after the Empty Chair crisis of 1966.

My thesis aims to expand our understanding of the EEC to reflect the real nature of the Community: a multi-faceted and complex interaction of national governments, supranational institutions, lobby groups and social organizations. According to Weiler, through this complex, multi-layer, structure, the EEC conducts at least three facets of governance: International, Supranational and Infranational.\textsuperscript{13} In a fascinating dynamic, resembling a fair ground spinning tea-cup ride, internal pressures constantly spin within the EEC to shape the new organization from inside while, in parallel, the organization and region as a whole hurtles around within the new and uncertain environment of the post-colonial and Cold War world. The shape of the EEC that eventually emerges in the 1980s cannot be clearly understood without exploring the impact of these internal and external pressures.

Finally, my work will attempt to respond to the challenge set by the German historian, Wolfram Kaiser, who highlights the fragmented approach to the study of EU


\textsuperscript{13} Weiler, “European Democracy and its Critics”, p. 6.
history to date, with its over-reliance on state-centric interpretations and lack of imagination in circumventing the 30-year archival rule:

‘This in turn results in a gap of several decades in the coverage of the EU by political scientists and contemporary historians. To date, no significant historiography (also) covering the most recent past exists in the sub-field of European Integration and EU history.’

**Historiography**

The early years of European integration studies were dominated by the federalist argument\(^\text{15}\) that sought to distance the divisive baggage of the war years by highlighting the common destiny for all European states willing to forego self-interest in the name of regional peace and prosperity. Building on international wartime resistance networks that eventually helped defeat fascism, the attraction of such a narrative was understandable to people fighting for their existence in the face of extreme militant nationalism. According to this approach, the steps taken after the War, including the creation of the Council of Europe\(^\text{16}\) in 1949 and the European Coal and Steel Community (ECSC) in 1952, represented further steppingstones towards the demise of the nation-state and the establishment of an eventual United States of Europe. Under such a utopian theory based on a belief in a shared regional journey along a predetermined path to continental unity, the EEC represented the next inevitable nail in the coffin of nationalism that federalists felt was becoming increasingly anachronistic in the second half of the 20\(^{th}\) century.


\(^{15}\) The federalist school of thought was led by writers such as Ernst Haas, *The Uniting of Europe: Economic & Social Forces 1950-1957* (Stanford: Stanford University Press, 1958) and Walter Lipgens, *The History of European Integration* (London: Clarendon Press, 1982).

\(^{16}\) Founded in Strasbourg in 1949, the Council of Europe was a discussion forum created among sovereign states to “promote democracy and to protect human rights and the rule of law in Europe” but has never had any political or legal authority to enforce its decisions. [http://hub.coe.int/web/coe-portal/home](http://hub.coe.int/web/coe-portal/home).
The early heroes of the federalist view included the Italian political theorist, Altiero Spinelli, French businessman, civil servant and one-man political think-tank, Jean Monnet, Belgian Socialist, Paul-Henri Spaak and Italian Christian Democrat, Alcide De Gasperi. Although federalists cast Monnet in particular as a selfless European visionary fighting narrow national interests, the fact that he also masterminded a French national recovery plan in 1946 that proposed requisitioning German resources to boost the French economy was usually omitted from their accounts. The advent of the ECSC in 1952 and the EEC in 1958 further boosted the federalist school’s aspirations for a new departure in European history. However, while the theory dominated the popular perception of the EEC in the early years, and permeated the rhetoric of European leaders for decades, federalist predictions of nation-state demise and cross-border unity failed to materialize. In particular, the destructive face-off between the Commission and President de Gaulle in the 1960s and member states’ return to national solutions during the 1970s oil crisis undermined the foundation of the federalist argument and weakened the movement. Consequently, when the relevant post-war archives became available to historians in the late 1970s, European integration studies were ripe for a new thesis that would displace the federalist argument with a more empirical and realist interpretation.

The first significant historical work that challenged the federalist narrative was completed by Alan S. Milward, a renowned British economic historian, in his 1984 publication, *The Reconstruction of Western Europe, 1945-51*. Milward rejected the

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17 The so-called Monnet Plan of 1946 proposed seizing the coal and steel resources of the German Ruhr and Saar for French reconstruction. Though approved by de Gaulle, it failed to attract American support and was abandoned. Monnet was again central to the Schumann Plan of 1950, which launched the ECSC and also focused on controlling German coal and steel output but this time draped in more Euro-friendly language.
federalist deification of Monnet and others, claiming that the ECSC represented a practical compromise for member states that ensured their national prosperity and security while not sacrificing an objectionable amount of national sovereignty. In his view, the ECSC was in fact created ‘as an arm of the nation states to do things which could not otherwise be achieved.’ While the new organization still acted under the guidance of national leaders, the creation of the High Authority, a nationally-unaffiliated Community institution that oversaw pooled coal and steel production, allowed the national leaders to pursue a low-key and pragmatic solution to French desires for industrial modernization and German need for economic recovery in the late 1940s. Milward claimed that the ECSC model represented a novel approach to ensuring stability that improved on the comprehensive political effort that had failed after the First World War but did not in any way weaken the nation states involved. In fact, Milward believed that this low-key approach, with even weaker Community institutions and stronger member state control, and not the ambitious federalism previously outlined, eventually became the blueprint for future EEC integration.

With his 1992 book, *The European Rescue of the Nation State*, Milward delved more deeply into how nation states survived and even thrived while ceding limited sovereignty to a supranational EEC. He concluded, paradoxically, that the very survival of nation states as a functioning entity depended on the success of the Community. He broke new ground in the analysis of the early years of the EEC through the argument that

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19 For Milward, the success of the EEC only added to the legitimacy of the nation states involved. “Without [the EEC], the nation state could not have offered to its citizens the same measure of security and prosperity which it has provided and which has justified its survival.” Alan S. Milward, *The European Rescue of the Nation State* (Berkeley: University of California Press, 1992), p. 3.
the EEC helped rescue member states from the expense and responsibility of supporting their domestic welfare state systems, which could have overwhelmed individual states. Instead, they contrived to pool limited sovereignty and spread the cost of industrial decline more equitably while sweetening the deal to states with strong agricultural sectors through the CAP. Moreover, in his view, national governments realized the benefit of being able to blame inevitable, but unpopular, political decisions on an outside supranational actor. He concluded that, ‘…the evolution of the Community since 1945 has been an integral part of the reassertion of the nation state as an organizational concept.’

Although Milward’s explanation of the roots of the EEC was certainly more empirically-based than the federalist theory that had dominated the initial phase of Western European studies, there were nonetheless some central failings in his methodology and interpretation that painted an incomplete picture. First, Milward’s sources consist mainly of material retrieved from national archives of various member states. Such a state-centric focus overlooks the role of institutional and non-state actors into the development of the EEC and underestimates the non-state side of the hybrid form of political governance that emerged from the Treaty of Rome. In my research, I explore material from Community institutions and non-state actors as well as from state archives to present a more complete picture of a very complex and evolving political organization.

Second, Milward underestimates the extent of power gained by Community institutions, even if it was not always explicitly granted to them. Clearly, member states

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did retain significant control of political areas central to the concept of national sovereignty, such as the welfare state and foreign policy. However, in other areas traditionally falling within the core competences of nation states, such as international trade policy, regulation of market competition and workers’ rights, the Commission in particular exercised significant powers and ECJ rulings superseded national court authority. Even in the area of foreign policy coordination, specifically referred to as European Political Union (EPU), where national leaders were determined to exclude the Community institutions from involvement, the Commission still exploited its Treaty-based right to become involved in the decision-making process once issues of trade were discussed in a foreign policy context. Given the ever-expanding interconnectivity among international politics, economics and trade during the post-war period, it became increasingly difficult to totally exclude Community institutions from any field of political activity in which they took an interest. Overall, Milward’s thesis fails to acknowledge that, while member states often appeared to make the executive policy choices, the range of choices presented to the member states in the first place had already been narrowed down by Community institutions as part of the Community’s decision-making process.

From the late 1980s, Milward’s thesis became the new academic orthodoxy in explaining the development of the EEC and spawned a new generation of European studies scholarship, not just in the field of history. The barn door of the federalist narrative was certainly now wide open and one of the first to bolt was Andrew

21 Under Treaty of Rome article 111(2), the Commission had the sole right to open and conduct trade negotiations with third countries. This role became particularly important in the context of decades of multilateral and high-profile trade negotiation under the General Agreement on Trade and Tariffs (GATT).
Moravcsik, a political scientist. In his 1991 article in *International Organization*, Moravcsik examined the negotiations leading to the 1986 Single European Act (SEA) through the state-centric lens pursued by Milward and came to a similar conclusion: European integration primarily served a member state agenda. Specifically, Moravcsik’s argument identified commercial policy as the predominant motivation for member states’ involved in the ‘lowest common denominator’ bargaining that preceded the SEA.

In his 1998 broad study of the EEC, *The Choice for Europe*, Moravcsik presents a more detailed explanation on the engines of development within the Community from 1955 to 1992. Building on Milward’s nation-centric focus, Moravcsik takes five case studies to underline his all-embracing theory of ‘liberal intergovernmentalism’, which is founded on intergovernmental control at the expense of Community institutions, lowest common denominator bargaining based on national self-interest and limited sovereignty transfer to supranational organizations in cases where member states feel nothing of value is being lost. He is also explicit in his view on the limited role of the Commission in the development of EMS and other core policies. Instead, he identifies the drivers as France and Germany, with little credit given to institutions or non-government actors.

While Moravcsik’s thesis created an enormous splash in both political science and history circles, his insistence on formulating a grand theory of European integration distracted him from maintaining empirical accuracy and acknowledging the role of

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24 The five case studies featured are the Rome Treaty, the consolidation of the Common Market, the European Monetary System, the SEA and the Treaty on European Union.
25 “It was thus left to two chief executives, Schmidt and Giscard, to assume the role of “principal architects” of the EMS.” Moravcsik, *The Choice for Europe*, p. 296.
Community institutions and non-state actors since the 1950s. In particular, he overlooked essential non-commercial factors in Community bargaining and over-relied on personal memoirs without crosschecking fundamental facts.\textsuperscript{26} Moreover, he paid little attention to critical historical sources from EEC archives and other non-state actors. By narrowing the cast of consequential actors in the EEC story to member states, Moravcsik maintains the state-centric methodology of Milward, which describes an incomplete picture of the complex system of state and non-state player interaction that created the EEC. By studying a more diverse range of sources, my work offers a more complete vision of the Community’s multi-layer and constantly evolving structure. Although it represented an innovative effort to combine history and political science in a comprehensive study of European integration, in the end, The Choice for Europe fell short of satisfying important research fundamentals in either field.

In 2003, the historian, John Gillingham, published his study of European Integration from 1950, called European Integration, 1950-2003: Superstate or New Market Economy. Building on Milward’s and Moravcsik’s narrative of states using integration to enhance their own security, Gillingham introduces what he terms a ‘classic liberal’ interpretation of the forces that shaped the Community. In his opinion, the erratic path followed since 1950 within the EEC and the EU was largely dictated by the fundamental struggle between the opposing forces of the state and the market. In particular, Gillingham emphasized that, in the absence of a ‘demos’, or a unifying sense

\textsuperscript{26} In 2004, a group of political scientists published a targeted attack on Moravcsik’s methodology and sources in The Journal of Cold War Studies. This attack eroded Moravcsik’s academic standing but his work still remains an essential landmark for scholars today. See Lieshout, Segers, and van der Vleuten, “De Gaulle, Moravcsik, and the Choice for Europe: Soft Sources, Weak Evidence”. Journal of Cold War Studies 6/4 (Fall) 2004.
of nationhood within Europe, the only proven vector of integration has been market liberalization, a concept he calls ‘negative integration’.27

Framing his thesis as a battle between what he labels ‘good’ and ‘evil’, Gillingham clearly favours the ‘good’ market approach over state planning. Criticizing the Community’s penchant for planning and its disregard for democratic institutions, he lays some of the blame for this legacy at the feet of Milward’s favourite bogeyman, Jean Monnet. Overall, Gillingham focuses most of his attention on the 1980s and the ultimate showdown between the champion of the free market, Margaret Thatcher, and her pro-regulation nemesis, Commission president, Jacques Delors. While characterizing Delors’ quest for regulation of market forces as out of touch with the inevitable march of globalization, Gillingham glorifies Thatcher in a way that sometimes borders on uncomfortable. In this respect, his ideological leaning is more sharply defined than are those of Milward or Moravcsik, a characteristic only magnified by his cutting, if entertaining, writing style.

Gillingham’s work highlights a genuine problem facing modern historians, namely how to apply basic historical rigour to available documentation that excludes the usual archival material open to historians of the more distant past. While he tries to overcome this obstacle though the use of more varied sources than his predecessors, his methodology remains nation-centric and overlooks the genuine contribution of non-state actors to the process of integration.

Despite his simplification of the integration process, Gillingham does raise valid points that I pursue in my work. Unlike many of his peers, he does claim that important

advances occurred during the 1970s, a decade usually branded by academics as a lost
decade. Though hardly causing immediate or spectacular effects, these events include the
accession of the United Kingdom in 1973, CAP reform, ECJ rulings and the foundation
of EMU as critical processes that defined the future shape of the EU.

As Moravcsik’s and Gillingham’s contributions show, there can be an inherent
danger in extrapolating an overly simplified theory on European integration from the
early years into a period of contemporary history for which archival material remains
unavailable. Moreover, while meshing historical and political science methodologies in a
single study have often helped broaden historical horizons, in this specific field, such a
hybrid approach does run the risk of sacrificing historical accuracy in the quest for an
overarching political theory of integration.

Partly as a result of the Moravcsik fallout, more recent historical work has
refrained from announcing grandiose theories and has provided a broader and more
nuanced account of the integration process. In particular, Irish historian Desmond Dinan
has written extensively on the topic with a less dogmatic style. According to Dinan, the
EEC has always been shaped by realism and circumstance, certainly not exclusively
guided by federalist utopianism on one hand or national actors on the other. In his 2004
book, *Europe Recast: A History of European Union*, he presents his interpretation of
European integration. While agreeing with Milward that the member states benefited
from participating in the ECSC and the early EEC, he adds that pooling of national
sovereignty during this period was less controversial as the organization still did not yet
play a significant role in the everyday life of Europeans.

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In reference to the 1960s and 1970s, Dinan echoes Gillingham’s claim that the ECJ played an important role in pushing a common social and regional policy agenda.\textsuperscript{29} Besides these legal landmarks, he also highlights the unspectacular but still vital advances by the Community’s institutions during this time. These include direct elections to the European Parliament and the Lomé Convention, which cemented important links between the EEC institutions, especially the Commission, and many former European colonies in the post-colonial world.

Although Dinan credits the Commission with success in using ECJ rulings and business support to advance the scope of the common market, he agrees with Milward and Moravcsik that Commission president Delors’ personal role in the success of the 1992 project was quite limited. Regardless of who was president, he states that the combination of globalization pressures, member state frustration with the failure of national solutions to recession as well as the successful resolution of the British rebate question in 1984 would still have pushed the Community towards greater integration. By this point, the presence of the EC in the lives of European citizens had become much more intrusive than it had been in the 1960s, which ensured even greater involvement of national governments. Time might have changed the nature and scope of the Community but Dinan believes that the main constants throughout EEC history remained the central role of member state governments and the prioritization of political necessity over ideology.

As a critique of European integration, Dinan’s account offers a more nuanced approach than that of either Milward or Moravcsik, principally due to the greater credit

\textsuperscript{29} Dinan, \textit{Europe Recast}, p. 118.
he gives to the role of individuals and institutions in the transformation of the EEC. However, Dinan still underemphasizes the role of non-state actors and transnational organizations within the integration process. A prime example of institutional proactivity, ignored by all three authors, is found in the Commission’s pursuit of an acceptable social policy based on the consent of all social partners at a corporate level, beyond existing member state organizational structures. Ironically, this initiative was first taken once the national members of the Council sought to curtail the power of the supranational Commission following the Empty Chair crisis of 1966. As a result of being marginalized within the official corridors of power, the Commission was forced to seek alternative, less official, avenues of influence. This was mainly achieved by fostering direct relations with diverse transnational representative organizations, including trade unions, environmental lobby groups and farming organizations, which helped the Commission regain its legitimacy as the Community’s policy initiator and, ironically for an unelected body, as a voice of organized European opinion.

Although this unofficial interaction did not impact policy overnight, it became particularly influential as the design of a common social policy emerged in the 1970s and continued to expand through 1992. Such examples demonstrate that institutions and non-state actors have played an important role in the evolution of key common policies and therefore should be included in any comprehensive historical account.

Given the multifaceted character of the EU, it is unsurprising to find valuable studies of its development from many diverse fields within the liberal arts and social sciences. In particular, sociologists have made excellent contributions to our understanding of the Community and its leaders. From a historical perspective, any insider account of the inner workings of the Community offers invaluable data on the motivations of leaders and the pressures shaping their decisions. For good or ill, the EEC has always been an organization where important decisions are made behind closed doors. Indeed, it is often this very opacity that infuriates commentators and the general public alike. Such a ‘fly on the wall’ account of the Commission’s inner circle is presented in George Ross’ book, *Jacques Delors and European Integration*. Based on Ross’ first-hand experience inside the Delors cabinet at work during 1991, he attributes an essential role to the Commission and its personnel in the creation and development of the Single Market. While recognizing the leading role of national governments, Ross believes that the Commission has still been able to take advantage of what he terms a ‘changing political opportunity structure’ to advance its agenda of closer supranational cooperation. Crucially, Ross also traces the roots of EMU back to the 1960s and 1970s, arguing against the common perception that EMU was solely a product of the 1980s.

Covering a more recent part of the EU’s history, Ross explores some themes also found in Milward and Moravcsik’s work, though he comes to different conclusions. First, in crediting the Commission with a genuine role in the Single Market project, he undermines the state-centric or structural economic orthodoxy of Milward. Second, unlike Milward or Moravcsik, Ross believes that Delors’ centre-Left, corporatist, track

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record played a part in shaping and incorporating social measures in the SEA and the TEU that directly balanced the deregulatory thrust of the Single Market. In contrast, most historians to this point had generally overlooked the Commission or its leadership as genuine power brokers within the EU. Indeed, the entire idea of personalities having a serious impact on Community policy direction was explicitly dismissed by Milward’s state-centric theory, Moravcsik’s intergovernmental institutionalism and Gillingham’s classical liberal approach.

The legal foundation of the EEC has also attracted much attention. With such an instrumental role in the very definition of the EEC’s identity and supranational reach, the ECJ has increasingly become the focus of specialized analysis within European integration studies. Chief among these legal experts is law professor J.H.H. Weiler, who has written extensively on the consequences of ECJ rulings on the long-term development of the EEC and its confrontation with national sovereignty.\(^\text{32}\)

Though less spectacular than a Council summit decision or a treaty conclusion, Weiler demonstrates that the implications of key ECJ rulings have placed fundamental restrictions on the political scope available to EEC institutions and member state governments. In his view, the ECJ has played a significantly underrated role in the Community story. Despite lacking the headline impact of national leaders or Commissioners, he argues that the ECJ has consistently interpreted the Treaty of Rome in a broad, expansionist, fashion that laid the legal foundation for many of the EU’s key pillars today, including EMU, social policy and citizens’ rights. Weiler goes as far to say

that important Court decisions as early as 1962 created unintended consequences that set the EEC on a specific legal and institutional path that effectively limited subsequent political decisions and made escape from previous ones virtually impossible.

Among such unintended consequences he includes the ‘Empty Chair’ crisis of 1965-1966, when pro-integration ECJ rulings emboldened the Commission to stretch its Treaty mandate until France walked out and effectively halted the functioning of the EEC at the highest level. According to Weiler, this power of the ECJ resulted from the lack of political will among member states to accept the gradual replacement of unanimity voting within the intergovernmental Council of Ministers by qualified majority voting (QMV), even though this was explicitly stated in the Treaty of Rome. As a result of such political inertia among member states, the ECJ, favouring federal integration, became the default decision maker in the EEC when urgent decisions had to be taken on matters of Treaty authority.

‘The integrating federal legal development was a response and reaction to a disintegrating confederal political development.’

**Key Period: 1982-1988**


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33 Following the French boycott of the Council meetings in 1965, in protest against the creeping supranational power of the Commission, a ‘gentleman’s agreement’ was reached in 1966 that brought the French back but stifled the Commission for years. The agreement, called the “Luxembourg Compromise” allowed member states to stall Council decisions on essential matters but did not explicitly allow a veto. This murky stalling tactic was often threatened during the 1970s and early 1980s, further poisoning the air.

34 QMV allocates weighted voting blocs to each member state according to size. This system means that even larger member states cannot block laws if the majority of their peers pass a piece of legislation. In theory, this promotes compromise and bargaining.

35 JHH Weiler, “The Transformation of Europe”, p. 2425.

36 “It seemed capable of ruling, until it tried to rule.” Front cover inscription on gravestone, *The Economist*, 20 March, 1982.
‘There is no doubt that in the past year, the Community has clarified a number of uncertainties, resolved its internal stalemate and removed frictions of various kinds. …The Community has become more aware of its identity, its potential, its responsibilities and its future. Further stages have been reached on the road to European Union.’

By 1982, the 25th anniversary of the launch of the EEC, the health report on the European Community seemed more appropriate for an octogenarian than a twenty-something. The situation was commonly referred to a *Euroschlerosis*. However, within a period of five years, the outlook had changed dramatically and a plethora of new Community initiatives were being fast-tracked into reality as the state-like structure of the new European Union was rapidly taking shape. How did such a radical turnaround occur at this time? On close inspection, there are both long- and short-term factors involved. Although the short-term factors are well explored, my work will focus on the long-term vectors of change that are often overlooked but were essential to the creation of the EU.

Before turning to these long-term vectors of change, it is important to briefly outline the reasons for the gloomy scenario that engulfed the EC in the early 1980s and the short-term triggers that unblocked the political clog. First, since the early 1970s, the institutions of the organization had tried in vain to coax member states into a regional solution for the economic tailspin that the two oil crises had provoked internationally. The situation had become dire. In 1982, the annual rate of inflation in the EC zone stood at 10.7%, compared to 5.9% and 2.7% for the United States and Japan respectively.

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Europe was pricing itself out of the global market and taking no concerted action to compete again.

Furthermore, while Community GDP continued to lag behind the Americans, unemployment stubbornly rose for the third consecutive year. Though these statistics in themselves were concerning, perhaps the more worrying trend was the broad diversity of economic policies in force among member states and their lack of desire to tackle a cross-border crisis with cross-border solutions. For example, in 1982, while German inflation rates stood at a relatively respectable 4.9%, France reached 11.5% and Italy 17%. In economic terms, the idea of European unity had become a fallacy. Despite the lip service paid to the common market and its quest to dismantle national tariffs, member state governments still sought to protect national assets and defended their domestic economic fiefdoms, albeit through subtler means.\(^{39}\)

Next on the toxic list of Euroschlerosis ingredients was the issue of the British contribution to the EC budget. From the very moment the British stumbled into the Community in 1973, they felt that they were paying too much into an organization that did not benefit them as much as it did their fellow member states. This imbalance was mostly due to the extremely small share of the Common Agricultural Policy (CAP) destined for British coffers.\(^{40}\) This issue became particularly toxic after the election of Margaret Thatcher and her quest for a ‘just return’ for British taxpayers. Until the British

\(^{39}\) Primarily, since traditional tariffs were forbidden within the EC, member states turned to non-tariff barriers (NTBs), consisting of anything from state subsidies in favour of preferred national firms to barriers based on packaging and ingredients.

\(^{40}\) In 1982, even as growing butter mountains and wine lakes exposed the inefficiencies of the CAP, the policy still drained 14.13 billion ECUs from the global Community budget of just 23.8 billion ECUs. See “Financing Community Activities”, The Sixteenth General Report on the activities of the EC 1982 (Luxembourg: Office for Official Publications of the EC, 1983) p. 43.
received a significant rebate, they were determined to block all EC initiatives. This attitude poisoned the diplomatic atmosphere until 1984.

Third, and perhaps the most worrying for the functioning of the EC, the organization’s institutions had become extremely ineffective. While the Council of the European Communities had been officially established in 1974, consisting of the leaders of the member states, its functioning merely emphasized the aforementioned divergent national policy paths and few ideas emerged from the institution to kick start the Community again. More importantly, the lingering spectre of the “Luxembourg Compromise” of 1966 meant that few decisions could be made without a consensus and a single state could always threaten a veto. In practice, this meant that legislation became watered down and the fear of veto smothered any hope of political initiative. As the EC grew from nine to twelve and beyond, this bottleneck was slowly strangling the idea of European unity.

Although the European Parliament was directly elected from the European population for the first time in 1979, it was still quite powerless to stop the Council and Commission from following their own course. Until this status quo changed, the Parliament was mostly seen as a talk shop that produced copious amounts of reports and studies but carried little effective power.

Finally, the Commission, endowed with the exclusive right to initiate legislation and embodying the watchdog role over the Community treaties and their goal of ‘ever closer union’, had effectively lost its way by the early 1980s. Although it continued to
push new legislation and seek new avenues to expand its official and unofficial powers,\footnote{Officially, the Commission still represented the member states of the EC in international trade organizations and consistently pushed matters such as EMU and social policy. Unofficially, it explored relations with European lobby groups in an effort to regain legitimacy and to mitigate against its democratic deficit.} a combination of economic crisis, unenthusiastic member state leaders and weak internal leadership marginalized the Commission until the early 1980s.\footnote{Although the Commission of president Roy Jenkins recorded some success in creating the EMS in 1979, his successor, Gaston Thorn, proved ineffective.}

**Short-term Triggers**

The sequence of events that helped turn the EC around in the mid-1980s is well documented. The second oil shock in 1979 increased prices and exacerbated the high inflation rates that had already dogged national economies since the mid-1970s. Further, the high interest rates maintained in the United States under president Reagan to curb domestic inflation only fuelled European inflation as the strong dollar still dominated international trade. The economic pressure from outside was growing intolerable and it had become increasingly apparent that national solutions were ineffective against a global recession. In such a context, surely, a new European approach could not prove any more disastrous than divergent national plans.

Within the EC, the first member state to turn against the tide of failing Keynesian economic orthodoxy was Britain after the Conservative election victory in 1979. Then, unexpectedly, in 1983, France made an even more dramatic turn around that would have major repercussions for the fate of the EC. Since 1981, president Mitterrand’s economic program of public spending and nationalization had scared off international capital and
attracted unsustainable speculation pressures on the French franc.43 Following three bouts of devaluation in two years, Mitterrand and his cabinet reluctantly decided to perform an economic u-turn and adopt financial policies more in line with those that had seen Germany emerge from the 1970s recession in a relatively stable condition.44

In the end, the Mitterrand government was forced to choose between ‘socialism and Europe’ and it chose the latter. Ironically, Mitterrand’s finance minister during this crisis was none other than Jacques Delors, destined to play a significant role in the EC’s renaissance further down the line. France’s turn towards the market reflected the growing neoliberal economic orthodoxy most evident in the United States and Britain at this point,45 prioritizing a strong currency, low inflation and stable prices over economic expansion and employment.

While this grand tournant proved politically awkward for Mitterrand, his entire election platform had been built on radical state-led economic expansion, it did improve the dynamics within the EC Council dramatically as the British and German governments could now count on some philosophical convergence among the three largest economies within the Community, a situation that had not existed among the big three for over a

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43 According to David Cameron, the Banque de France was forced to deplete its reserves by one third in defence of the franc just in the 10-day period between Mitterrand’s election and inauguration in May 1981 alone. See David Cameron, “Exchange Rate Politics in France”, in Anthony Daley, ed., The Mitterrand Era (New York: NYU Press, 1996) p. 60.
44 The major dilemma facing Mitterrand was France’s commitment to the European Monetary System (EMS), which was an EC currency system that obliged member states to maintain a limited currency rate variation among their currencies. Choosing a radical French economic path would force France to leave the EMS and risk the disintegration of the internal market.
45 Neoliberalism, the focus on monetary stability and low inflation, emerged as traditional Keynesian responses to stagflation failed to turn economies around during the 1970s.
This would prove to pay useful economic and political dividends for France and the EC in the following years. With France’s renewed desire to make Europe work, admittedly for its own benefit too, and the thawing of relations with Germany and Britain, there finally existed a real political convergence of will among the leading member state governments to move the EC forward after a decade of stagnation. A window of opportunity seemed to be opening. This new-found spring of good will was first put to the test in 1984, and passed, when the British budget issue was finally solved by Mitterrand’s and German leader Kohl’s willingness to go the extra mile to facilitate a British rebate. Once this window of opportunity was opened, the potential was enormous. However, unlocking this potential would take more than just an improved relationship between national leaders. The EEC was created differently from most contemporary international organizations in that it was not just an ‘international organization’: its ‘x-factor’ of supranational institutions marked it as unique and their influence was about to change the Community from a limited market zone into a broad and comprehensive state-like structure.

When the new Commission president, Jacques Delors, took office in 1985, he resembled a new coach taking control of a team that was demoralized after not winning a game in a very long time. In theory, the Commission had important Treaty-mandated powers of policy initiation and execution but these powers had been muted over the

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46 This convergence was helped by the election, in 1982, of Helmut Kohl and the Christian Democrats in West Germany, who pursued a policy of monetary stability. While not as dogmatically neoliberal as Thatcher’s economic policy, it offered much common ground. In 1982, economic uniformity was further helped by the dominance of centre-right parties in West Germany, Italy, Belgium, the Netherlands and Denmark. See N Piers Ludlow, “From Deadlock to Dynamism: the EC in the 1980s”, in Dinan, Origins and Evolution of the EU, p. 225.

47 The Fontainebleau summit of June, 1984, proved significant for many reasons but the most evident impact on relieving the institutional animosity was achieved by the British budget solution.
previous decade. However, Delors saw and took an opportunity to both re-launch the EC and return the Commission to the heart of the action. Over the four years of its first term, the Delors Commission focused on one of the undisputed fundamentals of the EC mission, the completion of the internal market, to rejuvenate the organization, reform paralyzed Council voting procedures and dramatically expand the state-like structures of the emerging EU. These structures focused on monetary union, social policy, regional development and foreign policy, areas usually defined as strictly national domains. All of this happened against a backdrop of global economic expansion and market liberalization, where the EC played a major role as the largest single market in the world.48

In particular, the Commission was instrumental in developing the programs for the completion of the internal market and the creation of the European Union. First, in 1985, the Commission’s White Paper on the Completion of the Internal Market set out in detail the legislation required to complete the goal of the Treaty of Rome. Then, in 1987, through the Single European Act (SEA), the ineffective voting procedures of the Council were replaced by qualified majority voting (QMV) on market-related issues, which rapidly accelerated the completion of the single market. The SEA also granted more significant powers to the long-ignored European Parliament. Under the popular slogan, ‘1992’, 49 the Delors Commission instigated a flood of legislative initiatives that

49 It is difficult to recall a more successful international slogan in the modern era that rallied such diverse sectors of society to a single goal. Business leaders, politicians, the general public and foreign trade partners (and competitors) were all motivated by the potential of a European re-launch and generated a buzz. Perhaps it is no coincidence that the slogan is just a single digit off of the pivotal year of ‘1492’,
transformed the organization in just a few years and defined a new era of European integration that went far beyond mere economic cooperation. Then, in 1988, the Delors Commission was again instrumental in the definition of the Cohesion Funds, a massive transfer of financial resources to poorer regions of the EC, which helped placate less wealthy member states in the face of a completed single market.

Although the window of opportunity closed quite rapidly after 1989, the period from 1982 to 1988 remains one of the most remarkably productive in the history of the EC, embodied in the Treaty on European Union, which irreversibly changed the fundamental identity of the former EC.

**Long-term Motors of State Construction**

Although the events of the period 1982 to 1988 within the EC offer obvious examples of which ‘state-building strategies’ were actually pursued, an exploration of the longer-term context reveals why these strategies met with such dramatic success in such a short period. Decisions that were taken at and since the founding of the EEC, and the official institutional process that had developed since 1958, had profound effects on the course of the Community’s development and facilitated the surge of integration that occurred in the 1980s.

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when Europeans embarked on another hugely influential project that brought them great success. See Ludlow, “From Deadlock to Dynamism”, p. 229.

50 “Delors…always regarded the single market programme, the SEA, and the budget agreement of 1988, which boosted the structural funds substantially, as indissolubly linked.” Ludlow, “From Deadlock to Dynamism”, p. 229.

51 The Treaty on European Union codifies the enormous variety and volume of new policies discussed and agreed between 1985 and 1988. These include the single market, institutional reform, monetary union, common foreign policy, social policy, the environment, defence and home affairs.

52 George Ross, *Jacques Delors and European Integration*, p. 12.
While the EU that emerged in 1992 could not be described as a traditional state, the Treaty on European Union still featured more examples of pooled sovereignty in core state competences than any international treaty in the modern era. The long-term momentum, even if it did stutter periodically, had moved the organization in a consistent direction towards more convergence, or ‘ever closer union’. Moreover, in specific areas, such as the conduct of international trade and monetary policy, member states voluntarily ceded significant powers to EU institutions. Clearly, it would be an exaggeration to claim that the EU in 1992 represented a fully functional modern state. However, what the EU model certainly did feature was still quite remarkable: an unprecedented ‘cohabitation’ of member state institutional structures with the Union’s own supranational institutional structures within a hybrid state-like superstructure.

Within this hybrid structure, where multiple states agreed to pool increasing amounts of their sovereignty, a new form of statecraft emerged that responded to the challenges of the modern world by instigating fundamental and irreversible limits on member state powers. While this organization’s level of integration was designed to mitigate the threats of globalization for individual member states, it still retained enough of the familiar building blocks of nation states to prevent them from losing legitimacy. Though this has been a delicate balancing act and has not always proceeded smoothly, the consistent pattern of increased pooling has been unmistakable.

Two motors of European integration that inherently propel the Community towards this model of new state construction have remained constantly present throughout the history of the EEC: continuity of language and organic institutional expansion. Despite setbacks and crises, the trajectory of the integration process has been
maintained in a single direction: towards ‘ever closer union’. Equally, despite the myriad
threats along the way, no member state has yet to leave the Community due to a
disagreement serious enough to make exit a more attractive option than membership.\(^5\)

While this concept of ‘ever closer union’ may not produce convergence patterns
between member states that match the traditional idea of state formation, there is an
indisputable fact: the EEC has constructed institutions and mechanisms that have
absorbed sovereign power from member states, have exercised it in an increasingly broad
fashion and have proven extremely resistant to losing this acquired power.

The first motor, continuity of language, is most evident from a reading of any of
the official ‘scriptures’ that have defined the EEC from 1958 to 1992. For example, the
most direct and politically loaded term, ‘European union’ or ‘union’ has featured openly
throughout Community documents since 1958. While its specific definition has been
debated, the term carries a clear intention to move the Community towards a common
political goal. Even though it may have been conveniently forgotten during periods of
economic stagnation or Euroschlerosis, the fact remains that the goal of European Union
was never officially rejected or eliminated by the collective member states or the
Community institutions. Indeed, it was the institutions, particularly the Commission and
the ECJ, that consistently insisted on the permanence of the idea.

‘Determined to lay the foundations of an ever-closer union among the
peoples of Europe’\(^5\) (1958)

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\(^5\) Greenland did leave in 1985, after gaining home rule from Denmark in 1979. Since it had initially voted
against EEC membership in 1973, but had to join when the rest of Denmark voted to join, it is deemed a
special case.

\(^5\) Treaty of Rome Preamble.
‘The Member States of the Community….affirm their intention to transform before the end of the present decade the whole complex of their relations into a European Union.’

(1972)

‘The Heads of State or Government of the Member States of the European Communities…resolved to continue the work begun on the basis of the treaties of Paris and Rome…to strengthen and continue the development of the Communities, which are the nucleus of European Union.’

(1973)

‘We must first of all restore this common vision (political consensus) if we wish to have European Union’

(1975)

‘Just as the Customs Union had to precede Economic Integration, so Economic Integration has to precede European Unity. What this White Paper proposes therefore is that the Community should now take a further step along the road so clearly delineated in the Treaties.’

(1985)

‘Moved by the will to continue the work undertaken on the basis of the Treaties establishing the European Communities and to transform relations as a whole among their states into a European Union, in accordance with the Solemn Declaration of Stuttgart of 19 June 1983…’

(1986)

With the basis of such continuity of language, in both treaty documents and a multitude of unexploited reports, the long-term roots of the EU as it emerged in 1992 are clearly apparent, and not just a creation of the 1980s. Moreover, this very continuity and the accompanying extensive policy reports over several decades were essential.

55 “Statement from the Paris Summit (19 to 21 October, 1972)

56 “Solemn Declaration on European Union (Stuttgart, 19 June 1983)


58 “White Paper on the completion of the internal market (14 June 1985)
From the Commission to the European Council. COM (85), 310, June 1985.

prerequisites for the rapid definition of the EU project during the 1980s. As Ross states, concerning the accumulation of ideas over the years, ‘Brussels accumulated a veritable part-bin of good ideas for European change which would turn out to be very useful for Jacques Delors and his Commission in the later 1980s, but were shelved prior to this.’

The second motor of integration was the institutions, particularly the Commission and the ECJ. Though the Commission’s role in the 1980s re-launch was well publicized, the ECJ had played an equally essential, if lower profile, role for decades. Even in the early 1960s, its decisions sometimes flew in the face of the wishes of many member states that did not appreciate strong supranational powers. In the 1970s, the Court intervened to lay the legal foundation for what became the driver of the ‘1992’ project: the eradication of NTBs and the completion of the internal market. Through the long-term actions of both the Commission and the ECJ, and to a lesser degree the Parliament, the Treaty goal of ‘ever closer union’ was pressed as far as institutional powers would allow. Sometimes, this interpretation of the Treaty led to gridlock, as in 1966, but at other times, as in the 1980s, it benefited from a confluence of political and economic circumstances to radically re-define the role and reach of the Community towards a new form of statecraft.

**Thesis Structure**

As noted by Egan, Nugent and Paterson in their 2010 ‘state of the field’ review, *Research Agendas in EU Studies*, the past decade has witnessed a veritable explosion in the study

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60 Ross, *Jacques Delors*, p. 25.
62 Case 120/78, *Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein*, [1979], ECR 649. This ruling effectively placed NTBs in the same bracket as outlawed tariff barriers under EC law. This was a huge boost for the Delors Commission’s ‘1992’ project.
of all aspects of the EU from across the liberal arts and social science disciplines. In such an active academic environment, a historical interpretation of the foundation of the EU is timely and represents an essential piece in our understanding of the organization. Moreover, it can only compliment studies from the diverse fields of political science, sociology, economics and law. My thesis draws on these rich and varied sources to create a broad historical picture of the political, social, economic and legal forces that forged the modern EU.

In total, my dissertation consists of six chapters. In the first chapter, I explore the origins of the EEC and highlight the main institutional and legal characteristics that differentiated the EEC from other international organizations and made it a unique. In addition, I examine the conflict between member states and the embryonic supranational Community institutions that helped shape the Community’s identity before 1969. While the Treaty of Rome provided a theoretical foundation for future common policy development among member states, it was the complex interaction of national governments and Community institutions within the context of economic globalization, the Cold War, decolonization and domestic political pressures that shaped the first decade of the EEC and determined the exact extent of the Treaty’s aim of ‘ever closer union’.

Unlike Milward, my focus will extend beyond a purely state-centric approach. As I will demonstrate, the EEC featured a unique mix of international and supranational institutions and a balanced depiction of the first decade must include material from both national and Community sources. In particular, I use archival documents from the European Commission and Council as well as published memoirs and interviews from

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national and Community leaders to compliment national archive sources. Moreover, as the 1960s was a key period of ECJ activity, according to Weiler and Dinan, I identify and explain the landmark rulings during the 1960s that played such an important long-term role in shaping the future EU. While the ECJ obviously could not and did not become embroiled in the growing power struggle between national governments and Community institutions during the first decade of the EEC, its Treaty mandate as the final authority on issues in dispute and its broad interpretation of Community powers combined to endow the Court with a central role that has been often overlooked in most historical interpretations.

At the end of the chapter, I identify the 1969 Council summit at The Hague as the pivotal moment that definitively changed the very identity of the EEC and paved the way for the much more deeply integrated Union that emerged in the 1980s. In 1969, the EEC consciously forged ahead beyond the limited economic vision constructed among the core member states since 1958, clearly aware of the potential political implications. For the first time, it took real steps to facilitate the accession of new member states as well as to augment the degree of integration required for all involved. This combination of broadening and deepening inevitably detached the Community from the safe port of limited economic cooperation and set them adrift on a much more volatile sea of political union. It is from this moment that many of the recognizable pillars of the future EU are first constructed.

In chapter two, I trace one of the main legacies of The Hague summit: the first steps towards European monetary union and a common currency, eventually enshrined in the TEU and finally introduced in 2002. Although the idea of monetary union had been
circulating before 1969, it was then that it received the Council’s official stamp of approval and gained significant momentum at that time. Once the American dollar, the lynchpin of the post-War global financial system, started to experience significant instability and inflation pressures in the late 1960s, European states began to seriously consider a financial alternative. The fact that the dollar’s weakness was due to the expense of the Vietnam War and self-serving expansionary domestic policies only added a political edge to the EEC’s efforts to formulate an alternative. Though not usually mentioned in the context of EMU, the Cold War also played a role by overextending American resources and undermining American currency stability.

The 1970 Werner Report, commissioned by the heads of member states at The Hague, outlined a three-stage road map towards monetary union by 1980. This plan became even more relevant following the devaluation of the dollar and the collapse of the Bretton Woods system in 1971. However, the road to monetary union was by no means smooth. Even though the plan was endorsed by Community leaders as late as 1974, the idea was shelved due to inflation, unemployment and a brief return to national solutions. Despite this short-term failure, the option of monetary union had been placed on the agenda and would dusted off and re-examined several times over the following decades. Most significantly, when the Delors Plan of 1988 sought to define a viable path to EMU after 1992, it relied heavily on the Werner Plan of almost two decades before.

In this chapter, I examine the initial factors that pushed member states towards a common currency after 1969. I will also trace the shared characteristics between this early experiment and the final EMU system that emerged in the 1990s, including the
inherent weaknesses. Inevitably, the currency question in Europe cannot be separated from fundamental political, regional and social issues. To achieve a functioning monetary system, which naturally favours wealthier states, poorer member states required substantial financial assistance for less developed regions and additional time to meet the criteria for membership, not to mention selling the idea of a pooled currency to a domestic audience. Clearly, EMU became as much a political decision as an economic one.

While the greatest progress towards EMU was achieved in the 1980s, and clearly this period remains one of remarkable achievement in Community integration, most of the academic literature has still failed to place this progress in its historical context. In particular, I emphasize the strong link between the blueprint presented in the 1970 Werner Report and that proposed by Delors in 1988. In taking this approach, I underline the active role played by the Commission and the Parliament in keeping the idea alive during the 1970s and early 1980s, when national governments ignored the possibility of a common currency. I also credit the Delors Commission with the foresight to recognize the usefulness of the Werner Plan when shaping its EMU project in the late 1980s.

My third chapter deals with another central theme of The Hague summit: the development of European political union and the broader evolution of a common foreign policy. As a growing global economic and political player at this time, the Community faced a critical period in its development. Though the EEC was founded on trade and economic cooperation, the increasingly interlinked world of the 1970s added pressure for it to speak with a single voice on global political, social and financial decisions. In addition, the Community could no longer skirt around the Cold War and the division of
its continent. Both the United States and the Soviet Union needed to know where the Community stood on critical issues.

To demonstrate the political immaturity and disunity of the EEC during the 1970s, in contrast to its united economic voice, I examine the uncoordinated European response to an apparently simple American proposal in 1973. In April of that year, the American Secretary of State, Henry Kissinger, delivered a speech designed to reinvigorate American relations with Europe. After withdrawing from Vietnam and opening relations with Communist China, the Nixon Administration turned its energy to bolstering the European alliance, which had been allowed to drift since the immediate post-war years. Kissinger’s ‘Year of Europe’ speech announced a new chapter in relations between a world superpower and a growing economic and political player to take account of the changing global situation. However, instead of rekindling a close relationship, diplomatic insensitivity and political mistrust triggered a major crisis in confidence between the two continents that overflowed into the economic and geopolitical spheres and exposed the degree to which their worldviews had diverged since the war.

At this time, though an established trade and economic bloc, the EEC still had little political unity in foreign policy. When confronted with American demands to respond with a single voice, this crucial gap in Community integration was exposed. This weakness was further highlighted by the first oil crisis and severe economic recession, when member states acted in their own interests. Although the member states slowly worked out a basis for limited political consultation, eventually leading to its incorporation into the Single European Act (SEA) and TEU, serious damage was done to
Atlantic relations and internal Community harmony during the 1970s. This represented a significant turning point in EEC development. Externally, the crisis revealed how the interests of the allies had diverged over the decades. Internally, and perhaps of greater importance, the traumatic experience of foreign policy discord revealed how the Community leaders lacked political unity concerning the EEC’s place in the Cold War world. It became clear that a global economic powerhouse could not longer function without a unified political foundation.

In this chapter, I will examine how the Year of Europe crisis forced the EEC, for the first time, to define its purpose in the world and to develop real political cooperation among its member states. On closer study, the crisis cannot be taken in isolation from the other major EEC event of 1973: the accession of Great Britain. When asked to choose between its traditional loyalty to the United States and its new loyalty to the EEC, Britain experienced serious crises of conscience that only contributed to the disaster. Nonetheless, the entire experience offers a unique insight into how the EEC learned from a clear diplomatic fiasco and began to seriously address ways it could forge some sort of functional political unity. While immediate progress was slow, working against diverse national priorities and international economic collapse, the process set in motion by the crisis did lay the groundwork for the significant steps towards political union eventually enshrined in the TEU.

In chapter four, I turn to the long-term consequence of a further decision made at The Hague: the enlargement of the EEC. Specifically, I examine the accession of Great Britain in 1973 and the long-term consequences of its membership on the pursuit of the Single Market and on the identity of the modern EU. Traditionally, the UK has
been seen as the laggard of the EEC, slowing integration, remaining sceptical of Community ambitions and prioritizing Anglo-American interests while inside fortress Europe. A late convert to the Community path, it has often been portrayed as doing all in its power to undermine the goals of the Treaties and reduce the reach of the *acquis communautaire*, preferring the status quo to any additional erosion of state sovereignty.

However, on closer examination, the British contribution is more nuanced, especially when one investigates beyond senior political representatives and their public pronouncements. Indeed, in certain areas, such as the removal of non-tariff barriers to trade within the Single Market, regional development funding, CAP reform and enlargement to new member states, the UK has played a leading and positive role. Although British government leaders have chosen to make a stand on certain issues, the broader British contribution, from commissioners and civil servants, has proven more constructive. Even after two accession rejections in the 1960s, British civil servants continued to work quietly and lobby for the British cause in Brussels and in member state capitals. As the Commonwealth link faded in the Foreign Office, younger diplomats and civil servants slowly oriented British ambitions towards the Community. This change was reflected among political leaders too, though the numbers were limited initially.

In this chapter, I will trace the continuity of this informal lobbying and the reorientation of Foreign Office policy towards Europe, which ensured that the necessary networks and personnel were ready and active when a new accession opportunity arose in 1969. In many ways, the influence of the British was felt long before they officially joined the EEC. Once it became clear that a third British application would be forthcoming after 1968, the French in particular moved quickly to ensure that they tied
down their priorities before British accession. These included guaranteed CAP funding, favourable EEC access for goods from former colonies and stronger monetary cooperation among member states, which were written in stone within the *acquis communautaire*.

I will also examine how the British delegation, in the broader sense, contributed to the long-term foundation of the EU. Once a member, the UK delegation included commissioners and civil service representatives who were actively involved in formulating Community policies. The success of the British delegation can be seen in the final shape of the Single Market in the 1980s, where cherished British policies, such as free trade and regional development, were in the vanguard of the 1992 project.

In chapter five, I focus on an area that has only begun to be analyzed from a historical perspective but has a potentially critical impact on how the decision-making process within the EU has changed over time. This area refers to the increasing role of pan-European lobby groups, or Eurogroups, and non-state actors in the initiation and development of Community policy. In the early 1950s, the centre of political and economic power in Western Europe clearly lay in national capitals. For generations, interest groups, representing issues across the spectrum of society, focused their attention on national ministers and departments of state. Where important political decisions were taken by the national government and parliament, it made sense to lobby the power centre. However, by the 1980s, while state capitals remained important centres, Brussels had become an important alternative centre of power and interest groups had adapted their strategies and structures accordingly. In particular, the EEC played an important
role in altering both the location of these centres of power and the structure of the organizations involved in lobbying.

With the rise of Brussels as the home of the European Commission, Community administration and senior member state representatives, many of the political decisions made in areas of common policy, including agriculture, trade and regional development, slowly migrated from national capitals to Brussels. While many decisions remained within the purview of national governments, others were increasingly deliberated and negotiated within the context of common EEC policies. The first interest groups that moved towards the EEC were agricultural organizations, which recognized the significant role of Brussels in their livelihood. Later, as regional development became a greater part of Community activity and funding, regional bodies sent representatives to Brussels to engage directly with the Commission, a fact not always appreciated by national governments, who were effectively bypassed by their own regions.

In this chapter, I will examine the turning points that shifted interest group focus away from national capitals to Brussels. Although this trend occurred across many fields of interest, such as agriculture, the environment and competition policy, I will focus on the area that features the most unique relationship between Eurogroups and the EEC: social policy. Despite a slow start in the 1970s, within 20 years, the European trade union movement, under a single umbrella group, as well as the European employers’ representative group, UNICE, eventually became officially incorporated into the Community’s legislative process. Under the TEU, both Eurogroups were recognized as partners with the Commission and European Parliament, working on the creation of relevant social legislation.
Clearly, this achievement represents an unprecedented expansion of lobby group legitimacy and a new chapter in the very definition of a legitimate political actor. Not only did the Community strongly influence the formation of social policy Eurogroups but these groups actually became part of the mechanism of power. The main institution involved in this process was the Commission. To better understand this extraordinary process of integration, I highlight the development of the Commission’s role within the EEC as well as its growing relationship with Eurogroups since the early 1970s. In addition, I emphasize the role of the ECJ in creating the legal basis for Eurogroups to bypass national governments and engage directly with EEC institutions. As with so many fundamental pillars of the modern EU, the ECJ emerges as a central, if discreet, force for change in the relations between the EEC and lobby groups.

**Conclusion**

By 1992, the degree of economic and political integration agreed among the member states of the European Community represented a unique achievement in modern international relations. Having delivered the initial hope of fostering peace and stability on the continent, the Community developed into a global economic superpower with substantial intergovernmental cooperation and supranational pooling of sovereignty, far beyond anything evident in any other international organization of sovereign states.

Though not a state in the traditional sense of the word, the emerging EU still controlled many key common policies generally considered part of state’s core responsibilities. These included monetary policy, agriculture and global trade representation. By its very nature, the EU redefined the frontiers of state responsibility and purpose as a new paradigm was born.
Chapter 1: European Integration, 1945-1969

Introduction

In the late 1940s, Western Europe was still counting the cost of almost half a century of war, political extremism, rampant nationalism and economic disaster.¹ Twice in the space of a generation, it had spectacularly self-inflicted its own economic collapse and made a mockery of its recognized traditions of political and social progress. Within a handful of years, the effects of the war had precipitously demoted Europe from first division economic status to a disaster zone.² As early as 1943, the United Nations Relief & Rehabilitation Administration (UNRRA) was created to provide subsistence food and fuel needs for the population of Western Europe suffering from the effects of war.³ In late 1945, a continent that had plentiful fuel and food resources during peacetime was relying on the UNRRA for 1.4 million tons of American coal per month and over 150 million tons of meat in the final quarter of the year.⁴

¹ In the United Kingdom, a leading player in both wars, national debt as a percentage of national GDP soared from 110% in 1940 to 238% in 1947. Before 1914, it had been at just 25%. Source: Christopher Chantrill, “National Debt Since 1900”, March 2012, <http://www.ukpublicspending.co.uk/debt_brief.php> (29 May 2012).
Between 1948 and 1951, to boost the economic recovery of Western Europe, and to entice European states away from the Soviet Union’s sphere of influence, the American government’s European Recovery Program (ERP), or the Marshall Plan, allocated nearly 13 billion dollars to 16 countries and territories in Europe that had agreed to accept American financial support⁵. Though the ERP was labelled an economic program, it had clear political priorities from the start and became a major divisive factor in the Cold War. According to Milward, ERP funds were less destined to keep Western European people from starvation than ‘to sustain ambitious, new, expansionary economic and social policies in Western European countries.’⁶ When the Soviet Union and its Eastern Bloc allies refused to participate in the program, it was becoming clear that a growing ideological division had emerged between states controlled by the Soviets and those open to American support.⁷ Once the Organization for European Economic Cooperation (OEEC) was created in 1948 to oversee the money’s distribution, the exclusion of the Eastern Bloc states from future western capitalist development was institutionalized. Over the following decades, this divergence of economic and political ideology, between free market capitalism and socialist planned economies, would help define Europe as a divided continent and place it firmly in the front line of Cold War antagonism. Though the EEC was not a major player in directing the course of the Cold War, the global standoff between the superpowers was omnipresent in many aspects of

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⁶ Alan S. Milward, The Reconstruction of Western Europe, cited, p. 54.
⁷ The participating ERP states included all of the founding signatories to the ECSC: (Belgium, France, Italy, Luxembourg, Netherlands, W. Germany) plus Austria, Denmark, Greece, Iceland, Ireland, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom. Source: “The Marshall Plan Countries,” July 2010, <www.loc.gov/exhibits/marshall/mars5.html> (29 May 2012)
Community life, particularly regarding the German question.\(^8\) Although Western European national governments and the United States took major steps to foster cooperation within the region, the combination of massive human and material losses, deep national animosity, industrial and agricultural chaos and the growing shadow of Cold War polarization meant that the forces of fragmentation were extremely strong.

Given their recent history, the states of Western Europe were unlikely candidates to collaborate on any constructive projects, never mind the creation of a far-reaching supranational economic and political community. However, within the space of a single generation, Western Europe was unrecognizable from the calamitous continent that blighted the landscape in 1945. By the early 1990s, less than 50 years after the end of the war, the economic and political organization that grouped most of the countries of Western Europe, the European Union (EU), represented the largest customs union and single market in the world\(^9\), was legally bound by a supranational court that superseded individual member state laws in many critical fields\(^10\) and had set in motion the replacement of member state currencies with a common currency.\(^11\) By the time the EU


\(^10\) The Court of Justice of the European Union succeeded the Court of Justice of the ECSC, created in 1952, and that of the EEC, created in 1958. It is the court of last instance for all member states in issues regarding the “interpretation and application of the Treaties”. Source: “General Presentation”, <http://curia.europa.eu/jcms/jcms/Jo2_6999/> (13 June 2012).

\(^11\) The Euro currency was adopted by eleven of the fifteen member states in 1999, plus Greece in 2001, and replaced the different national notes and coins within these states in 2002.
entered into effect in 1993\textsuperscript{12}, the traumatic experience of war that dominated the origins of the ECSC was no longer a widespread feature of living memory; it had been replaced by the more reassuring recollection of decades of steady economic growth and political stability that had helped lay the foundation for an unprecedented period of prosperity in the region.\textsuperscript{13}

How did this striking transformation occur in such a short time and what were the main drivers? Obviously, the first attempts at reorganizing Western Europe after the War faced formidable obstacles. While organizations like the Council of Europe, formed in 1949, grouped a broad variety of European countries together in a loose intergovernmental relationship, it limited its focus on human rights and democracy and had no real powers. According to the Council’s mission statement, its role was ‘to protect human rights, pluralist democracy and the rule of law.’\textsuperscript{14} Even though the new organization was based on voluntary cooperation among sovereign states and lacked teeth, it did present a genuine European forum and useful publicity for ideas floating around regarding European integration and solutions for the German problem. However, the prospect of the Council developing into anything more was limited, especially by British objections described colourfully by Secretary of State, Ernest Bevin in a communication to the French Foreign Ministry.

\textsuperscript{12} The EU was created by the Treaty on European Union, signed by the twelve member states of the EC at Maastricht on 7 February 1992. (Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom, Germany) Source: “Europe without Frontiers”, http://europa.eu/about-eu/eu-history/1990-1999/index_en.htm (13 June 2012).


‘We must avoid creating a kind of chamber of echoes where cranks could make their voices heard.’15

In 1952, political and economic pressures encouraged six European states to form a new economic organization that adopted a novel approach to institutional structure and legal organization.16 By blending a traditional intergovernmental approach with a new supranational ‘High Authority’ that pooled limited areas of national authority in the coal and steel industries, the European Coal and Steel Community (ECSC) was designed to reconcile West German economic recovery, as desired by the United States and Great Britain, with French fears of German resurgence. Ever since the end of the war, France had resisted the idea of a united West Germany rising to dominate the European economy.

As part of France’s post-war recovery, its government launched the Modernization and Re-equipment Plan, which was spearheaded by Jean Monnet and designed to extract essential coke supplies from Germany for the benefit of the French steel industry. Foreshadowing the core of the ECSC, the Monnet plan tied together the economic reconstruction of Germany and France. However, unlike the ECSC, the Monnet plan was not quite designed on a level playing field. Indeed, according to Milward, the French plan was ‘based on the crudest possible expression of mercantilist principles’17 built on material extraction from Germany for the specific benefit of French industry.

16 The founding member states were West Germany, France, Italy, Belgium, The Netherlands and Luxembourg.
17 Milward, The Reconstruction of Western Europe, p. 137.
However, by 1949, the escalating Cold War had made German recovery an American and British priority, thereby dooming French plans of containment. The impact of the Berlin blockade and the Soviet acquisition of the nuclear bomb in that year demonstrated to the Allies the need for a political and military bulwark within Germany. In addition, the need for an expanded German steel industry was highlighted by the increase in demand caused after the outbreak of the Korean War in 1950. Finally, greater pressure towards unification had resulted from the merging of the British and American zones of occupation in Germany in 1947\textsuperscript{18}, mostly due to the poor state of British finances.

The ECSC was based on the Schuman Plan, which was tabled by the French foreign minister, Robert Schumann, and inspired by the experience of his compatriot and senior bureaucrat, Jean Monnet. By limiting its sphere of influence to coal and steel production, the plan was designed to pool member state authority over the basic building blocks of economic recovery, but did not exclude future broadening of common interests. Despite its focus on economic stability, the main purpose of the ECSC was political\textsuperscript{19}: West Germany was becoming a reality regardless of protests and the Schuman Plan tried to make the best of that reality for France.\textsuperscript{20} For the French, the Schuman Plan

\textsuperscript{18} The American government, specifically Secretary of State Dean Acheson, had encouraged the Europeans, especially France, to take the initiative in proposing a solution to the German question that would involve some pooling of sovereignty. Source: Raymond Poidevin, \textit{Robert Schuman, homme d’etat, 1886-1963} (Paris: Imprimerie Nationale, 1986) p. 272.

\textsuperscript{19} Schuman was explicit on this point. “We were motivated much less by economic considerations than by political ones: rebuild Franco-German relations, ensure peace, create a climate of cooperation across Europe. These were our prime objectives.” (my translation) Source: Raymond Poidevin, \textit{Robert Schuman, homme d’etat, 1886-1963}. p. 244.

\textsuperscript{20} The political aspect was the main reason for British disinterest. “Monnet….left the British is no doubt as to the political intentions of the proposal.” and “Monnet described the plan as having an essentially political, if not moral, purpose.” Frances Lynch, “The Role of Jean Monnet in Setting up the ECSC”, in Klaus Schwabe ed., \textit{The Beginning of the Schuman Plan, Contributions to the symposium in Aachen, May 28-30, 1986} (Baden-Baden: Nomos-Verlagsgesellschaft, 1988) pps. 121 & 125.
effectively replaced the domestic Monnet Plan for national economic recovery but added recognition of the new West German state as an equal partner and opened the possibility of other European countries becoming involved. Given the fact that the Monnet Plan had been failing to meet its industrial production targets in France by 1950, the Schuman Plan provided an opportune way of rescuing French economic and political stability while presenting a veneer of European interest.\(^{21}\)

The role of the new organization was defined in the 1951 Treaty of Paris.\(^{22}\) In the preamble, member states clearly acknowledged their past divisions and future aspirations.

‘Resolved to substitute for historic rivalries a fusion of their essential interests; to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by bloody conflicts; and to lay the bases of institutions capable of giving direction to their future common destiny;’\(^{23}\)

Though limited to the coal and steel industry, the ECSC was unique in several ways. First, it bound member states to pool their sovereignty in specific areas of national industrial production. Secondly, it created a ‘high authority’ of unelected senior officials to oversee the terms of the treaty. From the beginning, the supranational character of this high authority was clearly stated.

‘The members of the High Authority shall exercise their functions in complete independence, in the general interest of the Community. In the fulfillment of their duties, they shall neither solicit nor accept instructions from any government or from any organization. They will abstain from all conduct incompatible with the supranational character of their functions.’\(^{24}\)

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\(^{21}\) According to Milward, who rejected the aura of federal saintliness often given to Monnet and his “enlightened cabal”, “The Schuman Plan was invented to safeguard the Monnet Plan.” Milward, *The Reconstruction of Western Europe*, p. 395. Also, see Lynch, “The Role of Jean Monnet in Setting up the ECSC”, cited, p. 125.

\(^{22}\) Signed April 18 April 1951, in force from 23 July 1952 to 23 July 2002.


\(^{24}\) Article 9, Chapter I, Treaty Establishing the ECSC, ibid.
Despite the unique role attributed to the High Authority, it is still arguable to what degree the member states ceded real power to the supranational body. For Milward, the member states still called the tune but they now had granted themselves an added layer of flexibility unavailable to any previous international organization. This innovation was of particular use when nation states wished to avoid direct responsibility for politically difficult decisions in relation to industrial rationalization of unproductive industries.

‘[The High Authority] was a protoplastic organization able to take any shape it wished according to the pressures on it from the nation states….it was firmly based, as much as any previous European peace treaty, on the real interests of the nation states who signed it.’

Such a novel experiment of mixing national governments and supranational institutions represented a step into the unknown on the international stage for a regional organization and was certainly ambitious on a continent only recently mired in fratricide.

Nonetheless, a combination of an American defence umbrella, shared transnational economic challenges, closer political cooperation and the globalization of trade helped this organization plant the seeds of economic stability and recovery. In particular, the American defence umbrella has been overlooked as a vital ingredient in the Community’s early development. With the cost of security and its very definition being outsourced across the Atlantic, member states enjoyed the freedom to sidestep a normally expensive part of running a modern state and focus on the building blocks of a common market.

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26 “This (US commitment) spared the Western Europeans exorbitant and potentially inflationary military expenditures and allowed them to concentrate on economic growth and social stability.” Hubert
The European Defence Community

Despite the success of the ECSC, not all plans for international organizations in Europe were well received during the 1950s. While the supranational aspects of the ECSC were an important factor in the functioning of that organization, some contemporary initiatives based on the same blueprint failed to anticipate the degree of opposition that supranational institutions provoked in national parliaments and beyond. The chief victim of community overreach was the European Defence Community (EDC), again designed by Monnet and presented by the French prime minister, Rene Pleven, in October, 1950. Basically, the plan sought to sidestep the fears evoked by a German military revival by integrating German troops into a European army. Just as the ECSC was marrying German economic recovery with French peace of mind, it was also hoped that the EDC would play the same role in the military sphere. Initially, the plan was approved by the French national assembly but poorly received by the Germans, Americans and NATO. While the French eventually managed to convince the Americans and the Germans, by the time the final EDC Treaty came before the French assembly in August 1954, it was shot down as an overambitious extension of supranationality into a sensitive core of national sovereignty. The French assembly’s

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27 “Similarly, the EDC became European integration’s most celebrated failure-the project that momentarily threatened to bury the whole endeavour.” N. Piers Ludlow ed., “Introduction”, in *European Integration and the Cold War*, p. 2.

28 At the NATO Defence Committee meeting in Washington in October 1950, the plan was met with a cool reception as most members preferred direct German accession to NATO. Source: Michael Sutton, “German Rearmament and Military Security”, in *France and the Construction of Europe, 1944-2007*, (New York: Berghahn Books, 2007) p. 67.
apparent change of heart resulted from several factors. First, since 1952, French focus had been distracted by the series of embarrassing defeats suffered by their troops in Indochina. The most significant, the fall of Dien Bien Phu, occurred just three months before the EDC vote. Such a setback prioritized the reconstruction of French prestige over any European project. Second, many leading political figures, including de Gaulle, publically opposed the EDC as a threat to French independence. Finally, in March 1953, Stalin died, causing a fundamental rethink on the threat of the Soviet Union.

The European Economic Community

In June 1955, following the EDC fiasco, the six member states of the ECSC met in Messina, Sicily, to discuss the next step in their integration process. Given the solid economic growth that Europe had experienced since 1950, it was felt that the next initiative should focus on economics and steer away from more controversial areas of cooperation. As a result, the member states explored a proposal for a customs union for manufactured and agricultural goods, proposed by the Dutch foreign minister, Johan Willem Beyen. The Beyen plan had actually been conceived in 1952 but had languished in the slipstream of the more ambitious EDC. Now, in an era when realistic targets outweighed ambitious projections, the six member states, with the notable reticence of France, took up the idea once again. This time, however, the lessons learned from the

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30 De Gaulle sarcastically referred to the EDC as “Frankenstein” and to Monnet as “The Inspirer”. Sutton, “German Rearmament”, p. 70.
31 “The National Assembly’s vote at the end of August 1954 proved a defining moment, inasmuch as it made clear that there were definite limits to any French surrenders of independence in the cause of European integration….for the majority of politicians of a still proud nation state, the EDC proved ultimately a step too far.” Ibid, p. 73.
EDC experience ensured that the new organization would be firmly rooted in intergovernmental cooperation, with specific roles for supranational institutions. For example, the Commission, whose structure resembled the ECSC’s High Authority, was designed to initiate legislation and to prevent the Franco-German axis from dominating smaller member states. Significantly, there was no role for the head of the ECSC’s High Authority and the man perceived by many as the ‘father of Europe’, Jean Monnet.  

By 1957, enough common ground had been agreed among the Six to sign a new treaty, the Treaty of Rome, which created the foundation for the European Economic Community (EEC). The Treaty expanded cooperation from coal and steel to a common market and a customs union for a wide variety of industrial and agricultural goods.

Consisting principally of the intergovernmental Council of Ministers, the supranational Commission and the European Court of Justice (ECJ), this organization was built on a balance between an intergovernmental executive and a supranational watchdog that pooled additional areas of national sovereignty and legally locked member states into the vague concept of ‘ever-closer union’. Taking such innovative steps did not come easily to sovereign states and was clearly not a result of a misty-eyed belief in federalism.

The Cold War again played an essential role here. According to former Commission

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33 According to Jean Monnet, and despite his peripheral role in the EEC negotiations, the creation of the EEC marked a new era in the very concept of sovereignty. In January, 1958, he told an American audience in Washington DC “From now on, the French, Italians, Belgians, Dutch and Luxembourgers that you welcome here will no longer come just as representatives of their own country. They have started to become and will increasingly become what they have been in a merely cultural sense until now: Europeans.” (my translation) Jean Monnet, Memoires, (Paris: Librairie Artheme Fayard, 1976) p. 501.

president Jacques Delors, the Treaty of Rome cannot be fully understood without understanding the significance of necessity and the reality of the world of 1957. Following French and British embarrassment over the Suez Canal occupation and American admonishment, Delors quotes French Foreign Minister of the time, Christian Pinault, as saying ‘the game is over, and we must respond with the unification of Europe.’

At the core of this innovative regional project was the Franco-German axis. Remarkably, these two countries had gone to war with each other on three separate occasions over the previous 87 years. The new organization’s blend of national and supranational authority that had featured in the ECSC’s institutional structure initially witnessed continued economic growth. However, the EEC did not exist in isolation from political events in the turbulent 1960s and a more complete picture of its early years reveals its fundamental fragility. As the Cold War and globalization pressures intruded frequently and exposed divergent member state priorities, the development of the EEC was far from linear and its institutions never far from crisis.

**Basic Community Imbalances**

While the economic success of the EEC was evident in the mid-1960s, its political and institutional stability was far from clear, as many core aspects of the Community still remained incomplete. In a 1964 interview, Georges Pompidou, then prime minister of

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36 Between 1958 and 1968, the average annual rise in GNP within the EEC was 5.2%, compared to 3.2% for the UK and 4.7% for the US. *Third General Report on the Activities of the Communities*, 1969 (Brussels: The EEC Commission, 1970) p. 24.
France outlined the basic imbalance between significant economic progress and minor progress in other core areas.

‘You said that, in the economic field, Europe has made great progress recently. I believe this to be true. However, I do not think that we should overstate this progress. What I mean by this is that, until now, the Six have always agreed on, or at least finished by agreeing on, principles and sometimes even on action. But in core, vital or decisive areas, agreements to date have just been based on principle.’

Over the following decades, this pattern of advanced economic integration accompanied by an institutional and political lag would become a common characteristic of the Community, forcing political leaders to make periodic readjustments. The main issues in flux during this period were the character of the Common Agricultural Policy (CAP), the establishment of the EEC’s own financial resources and the scope of the Commission’s influence on the Community budget. Although the Treaty of Rome had created an ambitious aspiration for ‘an ever-closer union’ among member states, it was vague on the steppingstones to be adopted towards that goal. In practice, nothing within the scope of the Community mandate could be implemented until the member states had filled in the treaty gaps by agreeing specific common policy details. In this respect, the 1960s witnessed a series of protracted negotiations on key Community policies that would define the identity of the EEC for decades to come.

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38 In the end, the first CAP agreement took effect in 1969, a year after the EEC’s Customs Union entered into force. The first agreement on the EEC’s ‘own resources’ budget was reached in 1970. In 1970, the EEC budget amounted to 3.256 billion units of account, of which 3.049 billion (93%) was allocated to the CAP. Third General Report on the Activities of the Communities, 1969, (Commission, Brussels, 1970) p. 323.
The Common Agricultural Policy

For the French, the CAP represented the non-negotiable core of the EEC project. Until the policy was officially established and received guaranteed funding, France was not afraid to openly question the future of the entire EEC project or to veto the accession of new member states.39

‘…the problem is if one of the common market’s essential member states, France for example, considered at any given moment that this common market could no longer progress and that it had been killed in spirit and in its very potential. Then, this common market would die of natural causes, regardless of the treaty texts…’40

Since the common market for industrial goods outlined in the Treaty of Rome sought the creation of a market that favoured more efficient German industries, France saw their incentive in the form of the CAP that protected farmer income and guaranteed prices for agricultural goods, a significant selling point to the powerful farming community in France. The CAP’s main purpose was to ensure that Europe could produce sufficient food to feed a growing workforce while guaranteeing farmers prices that allowed them to maintain a fair standard of living.41 Although the CAP was basically a Community policy, it represented a good example of how member states enhanced their own national legitimacy despite surrendering national sovereignty in a specific area. By securing European farmers’ income in this way, the CAP would relieve several member state governments of a significant financial burden. Equally, beneficiary member states gained legitimacy in the eyes of their citizens for protecting an important foundation of

39 In 1963 and in 1967, France blocked accession negotiations with Great Britain, to the frustration of its five Community partners.
national security. Clearly, agriculture represented a prime example of Milward’s theory that ceding sovereignty in specific areas actually benefited national legitimacy. For example, in France or Holland, two significant beneficiaries of the policy, the national governments could justify the concession of limited sovereignty to Brussels by channelling the resulting savings to the national industrial or welfare state sectors.42

Ironically, within a regional organization that aspired to become a borderless free trade zone, the CAP represented a fundamentally redistributive system, a European-scale welfare structure to assist national welfare mechanisms in protecting the agricultural sector from foreign competition.43

To complete the CAP, the EEC paid a heavy price. Throughout the 1960s, CAP negotiations proved long and tedious and were punctuated by periodic threats from president de Gaulle, as he held the entire EEC to ransom for the sake of pushing France’s demands. In 1963, he explicitly threatened that ‘it will be necessary that the Common Market stand, complete and secure, or that it disappear.’44 As the CAP funding eventually consumed over 90% of the entire Community budget, the success of the overall EEC depended overwhelmingly on the fate of the CAP.

Of course, CAP negotiations did not exist in a vacuum. Internationally, the Kennedy Round of the GATT closely shadowed the CAP saga, whose delays were partly

42 “[The common market for industrial goods] was onlybearable if it was balanced by a common agricultural market, providing our agriculture with significant openings at profitable prices, allowing the state, unburdened in large part from supporting our agriculture, to ease financial costs weighing on industry.” (my translation) Georges Pompidou, interview, 27 July 1965. Bussiere & Willaert, Un projet pour l’Europe, p. 99.
responsible for stretching GATT discussions from 1963 to 1967. During these negotiations to determine the rules of international trade, most international trade sectors witnessed a mutual cut in protective national tariffs. The Kennedy Round witnessed the ‘largest tariff cuts in modern history’, with average cuts of 35%.\footnote{Richard T. Griffiths, “1958-73”, in Keith Middlemas, Orchestrating Europe: the Informal Politics of European Union 1973-1995 (London: Fontana Press, 1995) p. 49.} Crucially, agricultural produce proved the exception to this rule, as the protective terms of the CAP began to emerge and the EEC stood firm on its fledgling policy against international pressure. Once the EEC’s agricultural policy began to reflect protectionist priorities, a trend also apparent in the United States and other major trade partners, the shape of the GATT agreement on agriculture made few concessions to free trade.

Perhaps more than any other Community policy, the CAP offers a real-world example of the ‘path-dependent sequences’ theory, outlined by Pierson, which suggests that binding decisions taken within an organization automatically exclude alternative choices that become increasingly difficult to resuscitate as time and subsequent decisions reinforce the path initially chosen.\footnote{Paul Pierson, Politics in Time: History, Institutions, and Social Analysis, p. 64.}

As the CAP took shape during the early 1960s, the enormously complex and time-consuming process of coordinating the agricultural sector of six sovereign states, its huge political significance for specific member states and its rigidly institutional form combined to set the inflexible tone of the policy, which the progress of time only succeeded in amplifying. Moreover, the fact that EEC decision-making often prioritized political bargaining over economic logic meant that short-term political vision replaced economic prudence as a guiding light. According to Ann-Christina Knudson:
‘Once choices are made they become locked into a particular set of institutional rules, and they become difficult to reverse and costly to alter….The complexity of the process means that actors may not have complete information when they make decisions. Short time horizons in politics may influence the way political choices are made.’

Within the EEC, the French obsession with defining a fully-funded and definitive CAP mechanism was instrumental in shaping the CAP that still existed into the 1980s and caused significant friction with Community partners. Until they finalized a policy that protected their agricultural interests and became almost impossible to alter, they refused to contemplate the accession of Great Britain, generally seen as more pro-free trade and certainly unenthusiastic about the CAP. The accession of Britain at this embryonic stage could have impacted policies far beyond just the CAP.

**Institutional Conflict**

The second major threat to the institutional stability of the EEC was the extent of Commission involvement in crucial Community decisions and its overlap with the Council of Ministers. Under its first president, Walter Hallstein, the EEC Commission had benefited from immediate American recognition, favourable economic winds, a prominent role at GATT negotiations and British accession discussions. For the Americans, the idea of a politically united Europe was a welcome development, even if

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48 “Had the British been allowed to join in the mid-1960s, they would have weighed in to discourage development of an interventionist, supranational customs-free area and might also have challenged basic matters such as the Commission’s prerogative of proposal, the ECJ’s development of European jurisprudence, market re-regulation, and the CAP.” George Ross, *The European Union and its Crises*, p. 12.
49 Griffiths, cited, p. 46.
the CAP protected European producers and had a negative financial effect on US trade.\textsuperscript{50} In its 1962 publication, ‘Action Programme for the Second Stage’, accepted by the Council, the Commission already set the scene for confrontation by anticipating a change in voting procedure within the Council of Ministers to achieve closer coordination of national regional planning under the control of the Commission. In response, some Council members objected to the program’s proposal that would make regional economic planning subject to qualified majority voting (QMV)\textsuperscript{51}, instead of the existing unanimity requirement. As a consequence, any member state that voted against the majority’s acceptance of the Commission’s regional plan would be forced to accept a loss of regional control within its own borders. At the time, a member of the French administration was heard to complain about the Commission’s plan, saying ‘What would there be left for us to do if the Bretons take their problems to Brussels?’\textsuperscript{52}

By 1965, the Commission felt confident enough to propose a framework for common financing of the CAP that linked greater budgetary powers for the European Parliament (EP) and the scaling back of unanimous voting in the Council of Ministers, a move stipulated in the Treaty of Rome to facilitate the development of the common market. France in particular objected to the Commission’s ambition and to increased powers for the supranational assembly and particularly resented it being linked to negotiations for CAP funding. The Commission’s ambition triggered concern among

\textsuperscript{50} In 1970, President Nixon echoed the general approach of previous administrations when he stated, “We recognize that our interests will necessarily be affected by Europe’s evolution and we may have to make sacrifices in the common interest. We consider that the possible economic price of a truly unified Europe is outweighed by the gin in the political vitality of the West as a whole.” Quoted in Schulz & Schwartz, p. 108.

\textsuperscript{51} QMV consisted of weighted voting based on the size of each member state. Under such a system, the potential for a member state to be ‘overruled’ on matters of EEC legislation was now a reality.

\textsuperscript{52} “Relations with the EEC”, Declassified report from S. Holland to Harold Wilson, p. 7, 8 May 1966, PREM 13/905, TNA.
member states already uncomfortable with the body’s supranational mission. According to Georges Pompidou in 1965, there was no question of national governments ceding ground to the Commission.

‘…any important decision involving the lives of people can only be taken by a political authority responsible before those involved and the transfer of government powers to technocratic commissions is a disaster.’

Though not alone in its concerns on the issue, France was the most demonstrative in its objections, most famously boycotting Council meetings for six months in 1965-66 to protest against the Commission’s ambition. This bleak period, when executive decision-making came to a halt, became known as the ‘empty chair crisis’. When France finally returned in early 1966, it had succeeded in clipping the Commission’s wings in favour of the Council of Ministers. Thanks to what became known as the informal ‘Luxembourg Compromise’, the Commission was now obliged to consult with the Council before proposing legislation, a requirement that directly undermined the Commission’s Treaty mandate to initiate Community legislation. As the final communiqué of the extraordinary Council meeting of January 1966 stated:

‘Before adopting any particularly important proposal, it is desirable that the Commission should take up the appropriate contacts with the Governments of the Member States, through the Permanent Representatives, without this procedure compromising the right of initiative which the Commission derives from the Treaty.’

Concerning the fate of majority voting, the French insisted that a member state should be entitled to force the Council to reconsider proposals that concerned matters of

54 In January, 1966, de Gaulle explained, “Why had we broken things off? Because the Commission claimed an exorbitant role, which the other member states seemed ready to concede.” Alain Peyrefitte, C’était de Gaulle, (Paris: Gallimard, 2000) pp. 183-4
vital national interest until unanimity was reached, effectively obstructing majority voting
within the Council. Since the other member states disagreed with France on this point,
no definitive solution was decided at the meeting, merely an agreement to disagree.
Though France did agree to return to the Council table and end the crisis at that point, the
ambiguity surrounding the use of the compromise would continue until 1986, when the
Single European Act finally defined the limits of unanimous voting.

While the Luxembourg Compromise had no treaty basis before 1986, from its
inception, it did succeed in pushing the pendulum of power away from the Commission
towards member state governments. In particular, it allowed France to protect one of its
main issues of ‘vital national interest’, the CAP, from unwelcome changes pushed by the
Commission or other member states. Described as a ‘crisis of design’ by Ross, the empty
chair crisis proved a pivotal moment in the evolution of the CAP and the confirmation of
a strong anti-federalist approach by France, both factors that would remain central of
Community development for decades.56 According to Delors, the crisis ‘was the result
of…the impatience of the pro-European and pro-federalist avant-garde
and…considerable reticence that was taking shape - notably in France - concerning the
limits of shared sovereignty.’57

Although it amounted to no more than a gentleman’s agreement to disagree, it
was taken more seriously by some states than others. This point has been underlined by
former European Commissioner Etienne Davignon, who stated in an interview that the

56 “Such crises of design resulted from member states insisting on their own definition of the basic
architecture of EEC institutions and policies and were significant in shaping early European integration.”
Ross, The European Union and its Crises, p. 11. See also Wilfred Loth (ed.) Crises and Compromises: The
legal status of the Compromise, excluded from the fundamental *acquis communautaire*, was perhaps overestimated by some member states as well as the British during their accession negotiations. According to Davignon, ‘When we negotiated with the British, the Luxembourg Compromise did not form part of the *acquis communautaire*. Therefore, the British were not entitled to say that […] they would unilaterally take advantage of the Luxembourg Compromise. The Compromise was not legally integrated into the accession treaty.’

In practice, the Commission undoubtedly suffered a setback that marginalized it from core decisions for several years. Ironically, its gradual recovery would be built on decisions agreed at the Hague summit in 1969, a purely intergovernmental platform, from which the Commission was effectively excluded.

**Cold War Challenges**

The EEC in the 1960s did not just suffer from internal challenges. In fact, one of the greatest threats to the EEC during the 1960s came from an area outside the direct scope of its influence: the Cold War and NATO crises. As the Community negotiated its future shape and identity, all participants were constantly reminded of its precarious position between the two superpowers. On one side, the traditional support of the American government for the EEC project and the ongoing GATT negotiations clearly attached the Community to the capitalist, free market sphere of the non-Communist world. On the other side, the close proximity of the EEC to the Eastern bloc meant that the pressure to succeed was heightened and took on a political and ideological symbolism. Also, the most powerful member state of the Community, West Germany,

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had to cope with Cold War division of its former territory and therefore held a significant stake in the fate of the Eastern Bloc. The consequences of the Cold War were a daily reality in the lives of Germans, for whom any possible progress towards détente with the USSR had to involve the reunification of East and West Germany. These factors made the Germans very sensitive to EEC relations with their eastern neighbors and determined that the Community should represent an attractive alternative to the Socialist model.

Given this situation, the independent contacts made by President de Gaulle with the Soviets in the mid-1960s raised German concerns and consequently raised tensions within the EEC’s Franco-German axis, especially when the French president visited Moscow in June 1966. Although de Gaulle’s ambition of a wider regional détente brokered by French leadership was not channelled through the EEC, his behaviour had repercussions that threatened the stability of internal Community relations. Since the end of the War, de Gaulle’s fundamental geopolitical concern had always been France’s recovery of its independence. In a world dominated by two superpowers, he strove for a relationship of equals with the USSR and the United States and the EEC project represented a valuable vehicle to achieve French grandeur. When he spoke of Europe, he believed that its destiny could only be fulfilled under the guidance of France, its spiritual leader. There was no place for American involvement in such a free and independent Europe. 

59 According to this dominant philosophy, any organization that invited American involvement in European affairs was incompatible with the Gaullist vision of Europe.

59 According to Willy Brandt, de Gaulle told him that “Nothing could be worse for Europe than an American hegemony which extinguished Europe and prevented the Europeans from being themselves.” Willy Brandt, My Life in Politics, (New York: Viking Penguin, 1992) p. 236.
The North Atlantic Treaty Organization (NATO) was such an organization. As the western guardian of the peace in Europe after the War, NATO symbolized both the fragility of European nations and the dominance of American power. By definition, it was destined to clash with de Gaulle’s vision for the continent. According to Willy Brandt, ‘The independence to which he [de Gaulle] aspired, in any case, was incompatible with membership of an integrated NATO.’

In the best Gaullist tradition, the General proceeded to ignore NATO rules and hierarchy when it suited his cause. For example, in 1966, de Gaulle withdrew France’s military from direct NATO command. At the same time, he began unilaterally reaching out to the Soviets in an effort to achieve détente in Europe. Obviously, these combined actions caused considerable tension among France’s EEC allies, all of which were also its NATO partners. In particular, West Germany took exception to independent French diplomacy towards the Soviets. On a visit to Prime Minister Wilson in 1966, German Chancellor Erhard shared his opinion that ‘President de Gaulle might on his forthcoming visit to Moscow assume the position as the spokesman of Europe but although some might be impressed, there could be no progress without the reunification of Germany.’

In the same year, former Belgian Prime Minister, Paul-Henri Spaak, described de Gaulle’s actions regarding NATO and the USSR as ‘leading inexorably to a dangerously explosive situation in Central Europe.’ While he believed that de Gaulle was exploiting the lack of superpower détente, mostly due to the Vietnam War, Spaak added that it was a

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60 Willy Brandt, My Life in Politics, cited, p. 229.
61 “Record of meeting held at 10 Downing Street”, p. 4, 23 May 1966, PREM 13/906, GCV (66), TNA.
dangerous game because ‘De Gaulle is not proposing a substitute. He is simply seeking for his own purposes, to destroy what we have.’

Though launched through NATO, de Gaulle’s challenge to American hegemony and European unity spilled over into EEC relations. By concerning the Germans and pushing them to seek a stronger alliance with America and Britain, de Gaulle was effectively presenting an opportunity for the British to enhance their reputation among France’s EEC colleagues. This shift in relations could only benefit British aspirations for future EEC accession, a prospect clearly on the agenda of Prime Minister Wilson by early 1966, when he commissioned what became known as the Roll report on the prospects of a new application.

The Trojan Horse meets the Sacred Cow

Perhaps the most prolonged and complicated threat to the EEC’s political and institutional stability during the 1960s was the protracted accession process engaged in by Great Britain. This topic will be presented in greater detail in chapter four. Since the foundation of the EEC, the possibility of enlargement beyond the founding six member states had been inscribed within the Treaty of Rome, which stated that ‘Any European state may apply to become a member of the Community.’ Although Article 237 allowed for enlargement, the processes and mechanism for such an eventuality were not made clear. Like so many aspects of the EEC, the actual procedures eventually adopted would have to be worked out by trial and error. Thanks to the early economic success of

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62 Paul-Henri Spaak, in Michael Palliser’s “Note on the Current Views of Mr. Spaak and Mr. Fayat”, p. 1, 31 May, 1966, PREM 13/906, TNA.
63 PREM 13/905, Roll Minute, 6.5.1966. Entitled, “Future Relations with Europe”, the Roll report noted that de Gaulle’s NATO policy created an opening in Europe which France’s five partners wished to see filled by the British. Source: N. Piers Ludlow, ed., European Integration and the Cold War, p. 113.
the Community, many outside countries became interested in joining. Such interest forced the EEC to painstakingly hammer out a mechanism for accession in parallel to working out the core policies of CAP and the Customs Union for the original Six. Moreover, the first accession candidate proved to be the most complicated and divisive one: Great Britain.

Having initially expressed an interest in participating in the European project during the 1950s, the British interest gradually waned, as the supranational characteristics of the proposed EEC became apparent. Besides, the majority of British opinion still placed its hopes in the future of Commonwealth trade links. In 1960, as a counterbalance to the experimental hybrid EEC, the British led the way in the creation of the European Free Trade Area (EFTA), where nothing beyond a tariff-free zone for traded goods was imposed on member states. Within EFTA, the British were accompanied by Austria, Denmark, Norway, Portugal, Sweden and Switzerland. However, the limitations of this organization to the British soon became apparent. Among its EFTA peers, Britain made the least trade growth gains and even declined its share of intra-EFTA exports before 1963.65 According to Milward, EFTA was most beneficial to smaller states. Within a few years of founding EFTA, economic performance was one of the reasons for the British re-examining EEC membership.

In many ways, the true length of the British accession negotiations to the EEC lasted over 11 years, starting in 1961, when the first application was announced by the

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MacMillan government. By this time, it was already clear that real political power in Europe was to be found in the EEC, and not in EFTA. This application soon ran into political and economic difficulties, and, in January 1963, president de Gaulle vetoed accession on the grounds that the British were still too involved with their Commonwealth and insufficiently independent of the United States to fit into the EEC.67

After 1963, even when official British government policy was not actively seeking membership, communication channels with the Six stayed open.68

After the 1964 British elections, the new Labour government seemed to have little interest in pursuing a further application, as Prime Minister Wilson maintained the five preconditions, established by the Labour Party in 1962, to be achieved before even considering another attempt. These five conditions included binding Commonwealth safeguards, a guarantee of an independent foreign policy, EFTA pledges, guarantees for British agriculture and the right of the British government to plan their national economy.69 Nonetheless, in 1966, a mere two years after election, the Prime Minister commissioned a secret committee to examine the economic impact of EEC membership on the United Kingdom. The Roll Committee, under chairman, Eric Roll, was composed of senior officials from various departments and had strict instructions not to inform government ministers of their existence or their discussions.70 In April 1966, the committee produced its first secret report for the Prime Minister regarding the economic and political health of the EEC as well as the timing of a potential British application for

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67 President de Gaulle announced the veto in a press conference held on 14 January, 1963.
68 Hugo Young, This Blessed Plot: Britain and Europe from Churchill to Blair, (New York: The Overlook Press, 1999) p.182.
69 Ibid, p. 182.
70 Ibid, p. 186.
membership. The report confirmed the economic health of the Community but also made some insightful comments on the fragility of the EEC institutions and its disorganized internal political relations. It goes on to list the problems facing the EEC in 1966.

‘The Community is itself at present in difficulties. The recent Luxembourg Agreement has not yet resulted in much progress: nor are early results to be expected from the Community’s present concentration on a whole complex of problems – the development of common agricultural prices, decisions on the financing of the CAP, the final moves towards establishing the common external tariffs and eliminating internal tariffs, and the Kennedy Round.’

In the committee’s opinion, dealing with these problems could take years and, in the meantime, member states, especially France, would probably not welcome a British application. Ironically, within the EEC, the British question caused difficulties whether they applied for membership or not. As long as the British remained non-committal, several member states were reluctant to agree to too much economic or political integration for fear of distancing the British even more. However, as the 1963 failed application had shown, a British move to join also created divisions within the Six.

During 1966, both Prime Minister Wilson and Foreign Secretary George Brown embarked on a tour of EEC capitals to probe governments on the potential for British membership. In the lead up to this tour, Wilson’s rhetoric changed from pro-Commonwealth pronouncements to reminders of the close historic bond between Britain and Europe. Government priorities, at least the leader’s priorities, had shifted in the

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71 Roll Committee report, “Future Relations with Europe”, p. 2, 6 April 1966, PREM 13/905, TNA.
72 “However, more radical proposals, if not rejected outright, found little positive support among the member states, …..partly because the ever-open question of British membership of the Community made several members reluctant to press ahead with more drastic schemes.” Richard T. Griffiths, in Middlemas, Orchestrating Europe, cited, p. 63.
73 In a Labour Party speech in Bristol, on 18 March, 1967, the Prime Minister stated that ‘The government’s position, as we have stated again and again, is that we are ready to join if suitable safeguards
face of economic and geopolitical realities and Foreign Office pressure. Although the application was again vetoed by de Gaulle in 1967, the effect on this occasion was more negative for the French leader. The British had made all the right noises in their application and had put themselves in a good position for when de Gaulle finally retired. As Wilson wrote to President Johnson in June 1967, it was only a matter of time, so Britain should ‘keep firmly beating at the door’.  

The second failed British application occurred at a time when the EEC was still in an early development phase concerning its own identity. Regardless of the complexities of the British case and the blatant self-interest of de Gaulle’s second veto, the dissonance between the Community’s economic dynamism and its political and institutional lethargy at this time was clear. Even with just six member states, coordination of basic common policy was a huge issue. The prospect of more member states adding to this complexity before the Treaty’s fundamental pillars were finalized certainly concerned the Commission. In its 1967 ‘Opinion regarding the accession request of the UK, Ireland, Denmark and Norway’, the Commission confirmed its worries regarding the dangers posed by enlargement on the EEC’s core mission. This concern became a common theme in the Community for many years.

‘So that this difficult operation might reach a satisfactory conclusion, it is essential that enlargement does not impede the normal running of the Communities, and does not eventually weaken their cohesion and dynamism, especially concerning the completion of the economic union, necessary harmonization and the function of institutional mechanisms.’

74 Lyndon B. Johnson Library, Johnson Papers, Head of State Correspondence, Box 10, Wilson to Johnson, 22 June 1967. Source: N. Piers Ludlow, ed., European Integration and the Cold War, p. 122.
75 European Commission report, “Opinion of the Commission to the Council regarding the accession request of the UK, Ireland, Denmark and Norway” (Brussels: Commission of the EC, 1967) p. 86.
1969: A Turning Point

In the history of the EEC, and Europe as a whole, 1969 proved a decisive year, as the EEC began its gradual transition from a technocratic and distant body towards the much broader and intrusive entity that emerged from the Maastricht Treaty. This transition was given an official stamp of approval at the heads of state Council summit at The Hague in December 1969. In the lead up to 1969, social, financial and political developments merged nationally and internationally to facilitate the EC’s shift from a state of conservative completion towards one of more ambitious expansion. As a result, the defining parts of the future EU, namely a single currency framework, enlarged membership, political union and a significant increase in the power of non-government actors, were set in motion. Although the momentum still ebbed and flowed dramatically before 1992, with many crises and setbacks, the principle tracks on which the future EU train would travel were laid from 1969 onwards. Immediately preceding 1969, several key events and processes combined to make fundamental changes inevitable.

First, the Customs Union, the great experiment of the Treaty of Rome, was completed ahead of schedule in 1968. The Community now possessed a common external tariff wall and could genuinely speak with a single voice on global trade issues. When combined with the completion of the CAP and the budgetary framework of its own financial resources, by the end of 1969, the fundamental pillars of the EEC as a functioning economic entity had been achieved and legally established. Having created such a significant volume of *acquis communautaire*, the EEC was more secure in its purpose and could approach prospective member states with a greater degree of unity and confidence.
Second, the two main players in the Community of Six, France and West Germany, elected new respective leaders in June and October 1969. To varying degrees, Georges Pompidou and Willy Brandt represented a change of direction for each country and for the EC. Pompidou, though a former prime minister to president de Gaulle, was more flexible than his predecessor in his approach to his fellow member states and to the British accession question.76 Such flexibility was only encouraged by the economic weakening of France provoked by the unrest of May 1968 and the consequent fear of German predominance within the Community. Though Pompidou pursued the modernization of French industry, he realized that, in the interim, French agriculture had to maintain the generous advantages it had won under previous CAP agreements.

In 1969, it was Pompidou who first suggested a summit meeting among member state leaders aimed at opening the road to British accession once certain transformations of the EC structure and procedures were guaranteed within the acquis. In many senses, this move prepared the way for what eventually became known as the European Council, an institutionalized gathering of Community heads of state and government that meets several times a year. In 1974, Pompidou’s successor, Valery Giscard d’Estaing, officially created the Council to further enhance intergovernmental control over Community legislation and policy direction, filling a role many felt the existing institutions were unable to or incapable of exercising. In this regard, Pompidou’s gesture was prescient.

but equally indicative of a broken institutional system, mainly provoked by the fallout since the empty chair crisis three years before.

His proposal was made in the context of determining the future of the EC, where France sought completion of the CAP and its own resources mechanism, deepening of monetary and political union and widening of the Community to new members. For France, widening could only occur after completion and deepening were first agreed. Ironically, within a relatively short period, the British question, which had been a thorny subject throughout the 1960s, had become the potential key to greater Community integration. Nonetheless, Pompidou was no federalist. He was still slow to compromise French interests for the sake of supranational governance. In the lead up to the Hague summit, he clarified his view on the role of the Commission.

‘The Commission can make its presentation…but we do not hold discussions in its presence or with it….Those gathered there must give the impression that the Commission is treated with respect but that it is an instrument of the six governments and not an independent institution.’

In West Germany, Willy Brandt became the first post-war Socialist Chancellor, breaking decades of Christian Democrat rule at the national level. Brandt was elected partly on the promise of engagement with East Germany and the Soviet Bloc through what was known as Ostpolitik. However, this policy did not mean overlooking the European arena, where the Chancellor favoured British accession, EMU on German

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78 In a 1967 interview as Foreign Minister, Brandt stated “We need an orientation that puts the German Question within the European context, and for this purpose we need a concept that contains the basic traits of a peace order.” Source: N. Piers Ludlow, European Integration and the Cold War, p. 53.
terms and reform of the CAP. As the primary cluster of priorities for the Germans, all of these issues were placed on the Hague agenda.

‘European law from early on made certain kinds of policy more feasible than others, and not always quite in the way that policy-makers had originally intended.’

The third pressure point that helped change the nature of the Community was more subtle though arguably one of the most crucial vectors of change from the late 1960s: the European Court of Justice (ECJ). Created as a legal guardian of the Treaty of Rome, the ECJ proceeded to expand the reach of Community law throughout the first decade and beyond. As the instance of last resort, its decisions were binding on member states and, more importantly, on Community citizens.

The purpose of the ECJ was to interpret provisions of the Treaty when disagreements arose on policies covered by the Community. In theory, this represented an objective judicial bulwark against any potential misinterpretation of the Treaty and, in 1958, national governments seeking economic stability and the establishment of modern liberal democracies were supportive of such a European judicial body. In practice, however, the ECJ tended to interpret the Treaty of Rome broadly in a way that supported the expansion of Community influence into areas not explicitly mentioned in the Treaty, often to the detriment of national sovereignty. The Court gradually created a case law that expanded the effective authority of the Community, thereby offering a crucial legal

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79 “Ostpolitik did not distract the Chancellor from European integration, which he supported out of personal conviction, for internal political reasons….and to ensure French support for his Eastern policy.” (my translation) Bitsch, p. 174.


81 According to the Economist, “Like America's supreme court, the European court has been keen to create new case law by its judgements, normally to promote EEC integration, free trade and free competition.” “Don’t Tear Up the Treaty”, The Economist, 20 March 1982.
legitimacy for many future Commission initiatives that might otherwise have been considered by the Council to be outside the remit of the Treaty. This was the case especially in the social policy area.

‘In many instances, we see the ECJ taking the lead in enunciating social and employment rights, often subsequently enshrined in legislation and, in some cases, the EC Treaty itself’\(^{82}\)

‘European law…has been a powerful instrument of policy-making and rule application.’\(^{83}\)

One of the unintended consequences of the ECJ’s influence was greater power for pan-European lobby groups, or Eurogroups, particularly within agriculture, social policy, and commerce. This issue will be explored in chapter five. The area of social policy in particular offers a good example of unintended consequences of Court action. During the 1960s, tangible social policy action at Community level did not progress much beyond the Treaty provisions.\(^{84}\) Like many issues covered by vague articles in the Treaty, social policy was held hostage to the power struggle between the Commission and the Council. In 1966, the Luxembourg Compromise obliged the Commission to consult with the Council of Ministers before initiating any policy proposals, including social policy.\(^{85}\)

However, this public faceoff masked a more significant chain of events for social policy development that was occurring within the legal sphere.

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\(^{83}\) Wallace & Wallace, cited, p. 6.

\(^{84}\) Articles 117-128, “Treaty Establishing the EEC”, 1957. Article 117 states that “Member States agree upon the need to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonization while the improvement is being maintained.”

One specific example of European case law demonstrates how ECJ decisions indirectly impacted social policy from the mid 1960s onwards, helping reshape the lobby groups’ approach to Community institutions and national governments. Within the Court’s judgment on the Van Gend en Loos case in 1963, it enshrined the principle of direct effect of EEC law, whereby certain aspects of Community law confer rights and impose obligations on individuals, as opposed to state bodies. Member state courts, obliged to recognize ECJ rulings, now had to recognize that the EEC could confer specific rights on citizens that superseded state jurisdiction.\(^{86}\) Clearly, for any lobby group created to represent a specific group of individuals within a member state, this decision forced them to look beyond national authorities to the source of future potentially important legal rules with direct impact on citizens: the EEC.

The initial lack of specific Treaty authority in the social field led to two mainly unforeseen consequences that later helped in the advancement of social legislation. First, in the absence of explicit Treaty provisions, the Community, principally through the Commission, was restricted to issuing soft law measures, consisting of non-binding guidelines, declarations and opinions. Though of limited immediate value, this body of soft law provided an indication of Community interpretation and direction on social issues. In later years, when genuine legislative power was ceded from member states to the Community through the TEU, a significant pool of soft law already existed and ‘their presence in the corpus of Community policy facilitated their enactment into law.’\(^{87}\)

Second, in the 1960s especially, the lack of specific Treaty guidelines and the requirement for unanimity in Council of Ministers voting led to much watered-down and

\(^{86}\) Case 26/62 Van Gend en Loos [1963] ECR 1, paragraph 11.
\(^{87}\) Watson, cited, p. 6.
unclear Council legislation. Subsequently, when this lack of clarity from the political executive forced member state courts to refer points of Community law to the ECJ for clarification, the Court usually applied a broader interpretation of Community authority than the Council of Ministers would have liked.

As the EEC began to establish its role in the lives of citizens, and Court rulings enhanced Community authority in specific areas, impacted lobby groups began to treat it as a serious entity. Moreover, as the Commission tried to overcome its own limited resources, it opened the door to lobby groups, who offered expertise, greater legitimacy and an additional lever of influence on member state governments. Crucially, the Commission prioritized Eurogroups over national groups, thereby incentivizing a broader restructuring of traditional national lobby groups that sidestepped member state capitals in favour of Brussels. This trend would have significant consequences right up to 1992.

As I explore in greater detail in chapter five, actions taken by the ECJ and the Commission during the 1960s facilitated an unintended increase in lobby group participation within the Community policy process, culminating in the incorporation of social partner organizations within the official decision-making process. Ironically, this trend was inadvertently encouraged by Council of Minister attempts to curb supranational power.

The final two pressure points that helped change the character of the EC after 1969 originated abroad and combined Cold War conflict and financial uncertainty. Financial instability increased due to distinct domestic and international pressures. Domestic pressure resulted from the economic and political instability generated by the strikes and riots in France during the summer of 1968. As a result, the European
Commission estimated that France lost about 2.5% of its GDP and required emergency finance from its partners.\textsuperscript{88} Matters became more urgent in the fall, when France devalued the franc by 11.1% and West Germany revalued the mark by 9.3% in an uncoordinated sequence that offered an unwelcome taste of life without a regional monetary solution.\textsuperscript{89} These unilateral monetary adjustments forced the Commission to readjust CAP prices to preserve the fiction of common agricultural prices.

In late 1968 the Commission prepared a note on the ‘greater convergence of economic policies and for an investigation of the scope for intensifying monetary cooperation’\textsuperscript{90} and promised to present a proposal for action to the Council in early 1969. Internationally, the increasing dollar instability of the late 1960s brought home to the EC the need for a stable and independent monetary system within Europe. Since the Treaty of Rome had been conceived within a stable financial system governed by dollar hegemony and fixed currency exchange rates under Bretton Woods, no plans were included to deal with the breakup of the system. However, such a risk became more real in the late 1960s.

The mounting costs of the Vietnam War and of the expanding domestic welfare system had caused inflationary pressures on the American economy, as they printed money to pay for the shortfall. Following decades of consistently stable and non-inflationary growth in Europe, the risk of importing inflation and losing competitiveness against American goods encouraged European states for the first time to seriously explore

\textsuperscript{90} Second General Report, p. 111.
common actions to cope with a more volatile financial environment. As the lynchpin of the Bretton Woods system, the dollar’s growing instability became a cause for concern in Europe. Most importantly, the foundation of the CAP was built on stable currency relationships and any unexpected fluctuations added to its already ballooning costs. For member states dependent on CAP, the prospect of currency instability was to be avoided at all costs.

‘France…hates the idea of a freer market for exchange rates, mainly because it would make it more difficult to maintain other anti-free-market monstrosities, in particular the dreadfully restrictionist and expansive CAP…’

Faced with such financial turmoil, the EC was forced to examine a viable alternative to Bretton Woods and the dollar hegemony. As promised, in February 1969, Commissioner Raymond Barre presented a plan to coordinate European economic and monetary policies in the face of dollar fluctuations. The main aim of the Barre plan was ‘to strengthen and effectively apply the consultation procedures before measures or decisions are finally adopted.’ These consultations would effectively try to prevent short-term unilateral changes in economic policy ‘which would have a major impact on the economies of the other member countries…’ In July 1969, the Barre plan was approved by the Council of finance ministers. At The Hague summit, the stage was set

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91 Due to the devaluations and revaluations among EC member states after 1968, CAP payments had to operate in a fragmented and unstable manner, with monetary compensatory accounts (MCAs) introduced within payments made to producers to negate currency shifts among member states. “In real currency terms, they (MCAs) have nullified the common price concept…” Werner J. Feld, “Implementation of the European Community’s Common Agricultural Policy: Expectations, Fears, Failures” International Organisation, Vol. 33, No. 3, 1979, p. 342.
93 Third General Report, p. 123.
for a significant reinvention of monetary policy as member state leaders were forced to make a radical response to the mounting international and internal financial crises.

The final lever of change was the omnipresent tension of the Cold War. The most recent flash point, the Warsaw Pact crushing of the Prague Spring in 1968, demonstrated the fragility of regional stability. Since the Community had benefited from the American defence umbrella since 1958, it had been relatively shielded from Cold War realities. However, threats to regional peace became all too real as the tanks rolled into Prague and the relatively recent memories of conflict returned to haunt Western Europeans. Despite being a powerful world economic force, the events in Eastern Europe exposed some of the EC’s fundamental imbalances. With weak political unity among the member states, how could a united front be achieved against the Eastern threat? Such food for thought pushed political union further up the official agenda than it had been for a decade, placing it beside economic and monetary goals. On the first day of the Hague summit, President Pompidou set the tone by declaring ‘…we have to work rapidly to develop and deepen Community action, especially to achieve political, economic and monetary convergence, and fix a list of scheduled and realistic objectives.’95 In this area, The Hague summit played a crucial role in re-launching closer political unity.

**Growing Pains**

During its first decade of existence, the EEC experienced a form of split personality. On the one hand, it achieved consistent economic growth and trade expansion. This success reflected positively on the new Community, and gave the

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appearance of a strong unit. Participation as a single entity in GATT negotiations and a growing list of candidate countries reinforced this image. On the other hand, political divisions and institutional confrontation undermined this strong façade. As member states and Community institutions came to grips with finding their place within a new and unique organization, they were not helped by a vague Treaty, conflicting institutional responsibilities and divergent national priorities. Not unlike a newly formed music band, the early years of the EEC demonstrated signs of immature skirmishes and a search for identity. However, in the late 1960s, a confluence of internal and external pressures occurred to force a crucial turning point towards greater maturity that helped define the Community’s unique identity for decades to come. In this process, the December 1969 summit of EC leaders at The Hague plays a pivotal role.

**The Hague Summit**

‘With the Hague summit of December 1969, we talk about a historic turning point, and I believe this to be true.’

- Paul Collowald

‘The Hague summit of December 1969, the first meeting of heads of state since the tenth anniversary of the Rome Treaty, laid much of the groundwork for future change.’

- John Gillingham

In many ways, the period immediately surrounding The Hague summit of December 1969 offers the first significant turning point in tracing the roots of new integration policies contained within the Maastricht Treaty. In that year, several factors

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combined to provide political pressure and to open a window of opportunity for a new direction in EC policy and reach.

‘Taking account of the journey to date, and stating that perhaps never have independent states pushed their cooperation so far, they have unanimously agreed that, due to the progress already achieved, the Community has come to a turning point in its history.’

The Hague summit offered the unique prospect of making progress on several major issues of the day. For the first time in a decade, circumstances and personalities were now in place to shake off the quarrels of the de Gaulle era and create momentum towards a new beginning. While this momentum was palpable during the build up to the summit, it was still led by the member state governments. As a consequence of the Luxembourg Compromise and the institutional conflict that accompanied it, the Commission remained a peripheral player in the important decisions made by the Council at this time. Nonetheless, this did not stop the new Commission president, Jean Rey, from trying to raise the Commission’s profile. According to Commission spokesperson, Paul Collowald, the Commission was not even briefed by the member states or allocated a seat at the summit’s official press conferences. It found out the content of Council meetings by sending representatives to view the press conferences organized by member states before combining the diverse reports into a single Commission document. It then invited journalists to attend its own briefing, hastily set up without the permission of the Council. Despite this somewhat ignominious situation, the plethora of decisions made

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at The Hague did throw some unintended lifelines to the Commission, which gradually recovered its authority in the following decade.\textsuperscript{100}

Member state governments came to the summit with different agendas but with a determination that real changes should occur. Especially for the newly-elected Brandt and Pompidou, a major political breakthrough at European level would enhance their reputations and re-establish the Franco-German axis as the main driver of European integration. In parallel to \textit{Ostpolitik}, Brandt was determined to open the EC to the British to give it greater political weight in the drive for East-West rapprochement as well as an enhanced competitive edge in the global market.

‘The Community must expand beyond the circle of the Six if it wants to compete economically and technologically with the giants and meet its worldwide political responsibility.’\textsuperscript{101}

While Pompidou was also motivated to make changes, they could not involve transfers of power to EC institutions and had to follow the precise order of priority announced in his mantra of ‘completion, deepening and widening.’\textsuperscript{102} In detail, he sought the completion of the existing promises made among the Six, such as CAP, deepening of further common policies, such as monetary union, and enlargement of the EC towards new applicant countries. In his view, the final step could not occur unless the previous

\textsuperscript{100} In response to the key topics discussed by member states, such as EMU, EPU and enlargement, the Commission wasted no time in publishing many of its own opinions. Even some of the reports commissioned by the Council, explicitly excluding the Commission, proposed measures that involved Commission input.

\textsuperscript{101} Willy Brandt, quoted in Claudia Hiepel’s “The Hague Summit of the European Community, Britain’s entry and the New Atlantic Partnership, 1969-1970”, \textit{The Strained Alliance}, p. 112.

\textsuperscript{102} “There were three problems. There was the one that we call completion (l’achèvement)….the second was one that we call deepening (l’approfondissement)….finally, there was the problem that we call enlargement (l’élargissement)…” Speech by Georges Pompidou, 2 December, 1969. Bussiere & Willaert, p. 167.
two steps were secured. He knew that change was inevitable and even positive in some respects but it would not be conceded cheaply.

While the summit did make some decisions with an immediate effect on the Community, it was its decisions with longer-term impact that really qualified it as a significant turning point. These decisions included an agreement on own resources to fund the Common Market, effectively acknowledging the maturity and permanency of the new entity. In addition, the meeting allocated more, though still limited, budgetary power to the European Parliament. The summit may have lasted only a few days but the direct influence of many of its decisions regarding policy development can be seen up to the 1980s and beyond. In particular, its deliberations gave birth to three official reports that would have significant long-term influence on the future path of the EC and the EU: the Mansholt report on agricultural reform, the Werner report on EMU and the Davignon report on EPU.

**CAP**

By 1969, the greatest expense and the greatest enigma within the EC was the CAP.103 Through a system of centralised mechanisms, the CAP was designed to ensure sufficient production levels, guaranteed prices and a fair standard of living for European farmers.104 However, in fulfilling this treaty obligation, it also triggered ever-expanding surpluses, a ballooning Community budget and a gross distortion of market forces where the price paid by consumers was far above the international market average. With the levels of agricultural productivity available in the 1960s, the number of active farmers

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within the EC had become unsustainable. However, agricultural interests were well organised and no government could promote cutbacks without attracting significant protest and social unrest. Although the CAP had always been particularly defended by the French government and farming organisations, most member states received some benefit as even the most industrialised countries in the world operated some form of agricultural protection.

At The Hague, national leaders agreed to replace national contributions to the Community budget with a common fund gathered from levies on goods imported into the Customs Union as well as a percentage of national VAT charges. In practice, this decision was targeted at stabilising and consecrating the CAP, which accounted for the vast majority of the Community budget. In so doing, the Community had satisfied the main French precondition to reconsidering the British application. In parallel, the summit charged the Council of Ministers with defining ways of limiting the CAP budget. Though this effort required over a decade to bear fruit, the Council’s aim of tackling the CAP’s budgetary issues represented an official endorsement of some of the aims of the Commission’s Memorandum on the Reform of Agriculture, submitted to the Council by the Agriculture Commissioner, Sicco Mansholt, in 1968. This memorandum promoted a daring restructuring of the EC farming system, which had been losing 500,000 farmers per year since 1950 due to low farm incomes. Crucially, for the first time, the plan tied

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105 “It is planned to replace gradually…..member state contributions with own resources..”, Final Communiqué of the Hague summit, JOCE, 11 November 1970, p. 15.

106 The plan was published in April 1970. “..the Mansholt plan, which aims to take out of production about 7% of the EEC’s 175 million acres of agricultural land, to remove from the land about 5 million of the 10 million farming population…” “Messy but not Plain Daft” The Economist, 3 April, 1970, p. 36.

CAP reform with wider regional and social issues within the Community. Even though it was only implemented in part after 1969, this unprecedented linkage between CAP and social and regional funding was now on the table and became a legitimate Community issue.\(^{108}\)

In truth, Mansholt took a bold stab at tying the fundamental weaknesses of the CAP to the need for regional funding in a broader social and cultural sense. His plan proposed a reduction in the number of farmers on the land, primarily targeting older individuals and holders of small farms. In practice, 80% of farms in Europe were too small to ensure a reasonable standard of living for farmers.\(^{109}\) Although natural attrition was already merging small farms and rationalizing farm production, the plan was intended to accelerate this process. As a result, it predicted that fewer farmers would produce less of a surplus for a lower price to the EC governments and ultimately the consumer. The farmers who had left the land already were being retrained to enter the industrial workforce and this would continue. According to the plan, the poverty of the small farmer and the training required to move from farming to industry inevitably linked the CAP reforms with broader social and regional policy. Indeed, perhaps the most radical aspect of the plan was its empowerment of regional authorities and farming groups at national government expense.

‘We are proposing, in fact, that the programme should not be operated by the governments themselves—it should be done through responsible collaboration with the… farmers themselves.’\(^{110}\)

\(^{108}\) “The European Commission’s long-term answer, the Mansholt plan, which would rationalize European farming (and supposedly cut out surpluses) remains unadopted.” “The Knob Turns”, *The Economist*, 13 December, 1969, p. 32. “The new proposals have two important side effects. They bring into focus the need for overall regional planning...Dr. Mansholt now admits the whole range of agricultural questions to be negotiable in a wider Community.” “Mansholt Mark II”, *The Economist*, 9 May, 1970, p. 73.


Mansholt also tied in CAP reform with regional and social policy in terms of migration control. Instead of former farmers being forced to migrate to the industrial heartland of the EC to seek work, employment opportunities should be expanded in the regions of Europe to ensure social cohesion and prosperity in the periphery. For the next few decades, this principle of regional development funding to compensate the natural economic advantages of the core played a crucial part in major negotiations on EMU and the Single Market.

Despite the urgency of the issue in the late 1960s, the Mansholt plan was largely ignored.\textsuperscript{111} In reality, it was ahead of its time as it forced member states to confront politically difficult decisions and to concede important powers of control to regional bodies. Instead, governments preferred the politically easy route of allowing overproduction while propping up the remaining farmers through artificially high prices. By 1972, the plan had become watered down into three directives that allowed sizeable national discretion on their implementation.\textsuperscript{112} While the plan seemed to have little immediate impact in the early 1970s, it still offered a considered alternative to traditional and costly European agricultural practices. When the financial burden of the CAP continued to strangle the EC budget through the 1980s, real changes were finally

\textsuperscript{111} “Meanwhile, the Mansholt plan, whose proposed restructuring of the entire industry is the only long-term solution, is still friendless, however often it is given a new look.” “Filling in the Map”, \textit{The Economist}, 7 March 1970, p. 38.

confronted in 1992, within a wider social and regional context, as presented in the original Mansholt plan.\footnote{The 1992 MacSharry reforms reduced price support and set aside funding for withdrawing land from production. It was eventually achieved in the wake of weakened farm lobbying influence and external GATT pressure. Reforms featured the Mansholt ideas of separating income support from production support and retirement of older farmers.}

**EMU**

Perhaps the most far-reaching and ambitious aspect of The Hague summit was its commitment to EMU. This issue will be explored in greater detail in chapter two.

‘They have decided that, within the Council, on the basis of the memorandum presented by the Commission on February 12 1969, and in close cooperation with the latter, a step by step plan will be elaborated during 1970 with the goal of creating an economic and monetary union.’\footnote{(my translation) “Final Communiqué of the Hague summit”, *JOCE*, November 11 1970, p. 16.}

Few other tangible assets symbolise national sovereignty as much as national currencies and to consider any form of pooling or unity signified a serious commitment and a great step into the unknown. However, in the context of international currency volatility and dollar inflation of the time, it had become a serious option. Clearly, this decision alone would qualify The Hague summit as an important turning point in the history of the Community. Of course, the summit had limited ability to delve into what was a very specialised and complex issue. In practice, Community leaders merely acknowledged their broad agreement on the need for closer monetary union and delegated the details to a committee, which became known as the Werner Committee.

The Werner Committee was named after Pierre Werner, the Luxembourg minister of finance, and was assigned to examine the prospects of EMU among the EC currencies. Officially called the ‘Report to the Council and the Commission on the Realization by Stages of Economic and Monetary Union in the Community’ the resulting plan
represented a more in-depth follow up to the Barre plan of 1968, which helped focus the Council’s discussions. Having studied the international financial situation and the priorities of the EC in 1970, the Werner Plan recommended greater monetary cooperation among member states, moving towards complete monetary union by 1980. In the lead up to the summit, two interrelated questions were pushing the Community towards some form of monetary cooperation. First, due to inflationary pressure and American financial over-extension, the dollar was beginning to slide from its unchallenged position of global currency of reference. Second, the devaluation of the franc and the revaluation of the mark within a short time period in the fall of 1968 had caused a de-facto dislocation within the EC currency zone, of particularly importance to the CAP payment intervention system, which was based on relatively stable currencies. As a result, France was especially keen to stabilise currencies.\textsuperscript{115}

The root cause of the monetary crises of the late 1960s was the unravelling of the post-war Bretton Woods international financial system. Under the system, the dollar was pegged to gold at a constant rate and other western currencies ensured stability by fixing their exchange rates to the dollar. As the dominant global financial power after the war, the Americans benefited enormously from the dollar’s pivotal role.\textsuperscript{116} However, during the 1960s, persistent balance of payment deficits in the United States made the dollar relatively overvalued and this triggered a depletion of its gold reserve as foreign countries

\textsuperscript{115} “…G. Pompidou and the minister of finance, Valery Giscard d’Estaing, very fond of the international monetary system, wished to preserve fixed exchange rates through exchange controls, to avoid a revaluation of the Franc, which could impede the competitiveness of French goods, slow economic growth and cause social and electoral problems.” (my translation) Bitsch, p. 181.

\textsuperscript{116} The dollar dictated the monetary governance structure, set monetary policy to suit its own needs and tied the western Cold War alliance together. Hubert Zimmerman, “Unravelling the Ties that Really Bind” in Schulz & Schwarz, cited, p. 128.
cashed in their dollars for gold before the value fell back. Most of the deficit was caused by the cost of the war in Vietnam and president Johnson’s domestic welfare programs.

As the dollar began to show signs of weakness, EC member states were faced with a choice of waiting to see the American response and following suit, even if it might not be in their best financial interest, or exploring a European alternative that would at least maintain internal common market currency stability. By the time of The Hague summit, recent French and German currency adjustments, and the resulting chaos in trade and diplomatic relations, had convinced European leaders that they would have to take control of their own destiny.

The resulting Werner plan was remarkably ambitious, referring to the need for regional and structural change, the consultation of social partners and the need for accountability before the European Parliament.

‘In an economic and monetary union, structural and regional policies will not be the exclusive affair of national budgets….The cohesion of the economic and monetary union will be even better guaranteed by consulting with social partners.’\(^\text{117}\)

In effect, it envisaged a zone of monetary union within the EC by 1980, complete with a three-stage agenda to reach that goal.\(^\text{118}\) During the first stage, the plan called for a convergence of fiscal and monetary policies to narrow possible currency fluctuation within the Community. Then, in stage two, the creation of a central European Monetary Cooperation Fund (EMCF) would coordinate macroeconomic policies before evolving into a European central bank. Finally, by 1980, the plan envisaged either the locking of


\(^{118}\) “...political and psychological considerations favor the adoption of a single currency to confirm the irreversibility of the endeavor.” Werner Report, \textit{JOCE}, p. 3.
exchange rates or a single currency. While the plan provided a path towards EMU within a specific deadline, the central role of supranational entities and the increase in the power of the European Parliament that it recommended ensured French opposition.\textsuperscript{119} Considering the dominance of the intergovernmental approach at The Hague, where the Werner Report was commissioned, this was an ironic turn of events.

Fundamentally, one of the main sources of internal Community division on monetary policy was the order in which monetary cooperation would proceed. On one side, led by West Germany, the ‘economist’ camp favoured price stability and the convergence of national fiscal and monetary policies before eventually irreversibly fixing exchange rates within a Community system. By German law, economic policy was tied to this path.\textsuperscript{120} On the other side, led by France, the ‘monetarist’ camp promoted the initial locking of exchange rates, thereby forcing states to deal with the monetary consequences as a group, as opposed to on a national basis. The benefit of this approach was that the Germans would then be forced to bail out their less disciplined French colleagues to ensure the survival of the new union. For the French, the integrity of the CAP depended on stable exchange rates and, while reluctant to agree the transfer of financial control to the community structure, the risk of the CAP disintegrating was a greater evil. With such clear divisions, it was not surprising that no clear financial targets or deadlines were immediately agreed for EMU. Although the economic crisis of the 70s obviously stalled progress on EMU, it is unlikely that significant progress would have

\begin{itemize}
\item \textsuperscript{119}“But the government of Europe can arise only out of the gathering of national governments, joining together to take decisions that are valid for all.” President Pompidou, quoted in Colin Gordon, “The Future of the European Community”, \textit{International Organization}, Vol.26, No. 4 1972, p. 695.
\item \textsuperscript{120}“The Stability Law…enshrines the four objectives of price stability, full employment, external equilibrium and growth.” “Willy Brandt’s Inheritance”, \textit{The Economist}, January 10 1970, p. xxxv.
\end{itemize}
occurred anyway until the respective camps had reached a compromise. As later events demonstrated, real EMU progress only occurred when the relative success of German price stability and lower inflation, a mantra of the German Bundesbank, eventually convinced other member states to follow a similar path. However, this would not occur until the mid 1990s.

In many senses, the Werner Plan was ahead of its time. To have succeeded, it would have required a degree of political will and institutional change within a relatively stable financial situation that just did not exist in the early 1970s. Furthermore, the recommended social, regional and environmental accompaniments for EMU mentioned within the report were premature to say the least. Nonetheless, many of the plan’s recommendations and some of the embryonic institutions and mechanisms that resulted remained a key inspiration for later, more successful, EMU initiatives.

For example, after 1985, under the Delors Commission, EMU was finally linked with broader regional policy and consultation with social partners. Given the complexity of integrating multiple modern state economies, without the Werner Plan recommendations and its experience of short-term failure, the rapid implementation of EMU that actually occurred in the early 1990s would certainly have proven more time-consuming and problematic. In chapter two, I will explore in greater detail the roots of EMU, the contents of the Werner report and the lessons that were drawn from its failure.
European Political Union

Following the painful experience of de Gaulle’s failed Fouchet Plan\textsuperscript{121} in 1961, which tried to elaborate an intergovernmental form of political union of states outside the EC institutions, the concept of political cooperation among the EC member states remained a controversial topic. De Gaulle had initially proposed the plan to counter what France perceived as the growing threat of supranationalism within the Community, which had some support from other member states. However, his exclusion of the British, the inclusion of a defence role outside of NATO and the idea of economic powers in competition with the Commission proved too extreme for its partners. According to Paul-Henri Spaak, Belgian Foreign Minister at the time, ‘[Couve de Murville, French Foreign Minister] also continued to insist that the organization should be given powers to deal with economic matters, a procedure which created a danger of duplication and thus threatened to weaken the EEC Commission.’\textsuperscript{122}

The forcefulness of the French left their partners resentful and suspicious of French political intentions for several years. In the global context of superpowers and economic blocs, a mechanism that helped provide a single EEC voice on foreign policy and trade policy was broadly welcomed by European states but the specific form of the Fouchet Plan became too politicized to succeed. At The Hague, the vagueness of the final communiqué reference, and its location towards the end of the document, reflected

\textsuperscript{121} The Fouchet Plan was first proposed in October 1961, by president de Gaulle. It was named after Christian Fouchet, French ambassador to Denmark, who headed the drafting committee. Source: Jeffrey Vanke, “Charles de Gaulle’s Uncertain Idea of Europe”, in Desmond Dinan, ed. Origins and Evolution of the European Union (New York: Oxford University Press, 2006) p. 154.

the difficulty implicit in discussions over EPU, only made more complex by the expected accession of the United Kingdom.\textsuperscript{123}

By entrusting the issue to national ministers of foreign affairs, the summit made clear that they were far from ready to trust the Community institutions with such a delicate issue: EPU was intended to remain a purely intergovernmental question. As a result of The Hague decision, research into the future of EPU was delegated to what became known as the Davignon Committee. The resulting Davignon plan, published in July 1970, and adopted by the Council in October 1970, was intended to propose a form of political union within the EC. In the end, it was limited to bi-annual meetings of the Council of foreign ministers.

Like the Werner Plan, the Davignon plan seemed to be based on a more optimistic reading of national intentions. In a context of growing international economic instability, the Cold War and conflicting political alliances, rapid foreign policy coordination remained ambitious in 1970. Even the basic task of deciding the location of a potential secretariat caused acrimony.\textsuperscript{124} However, it did introduce the concept of a Community voice on foreign affairs and formed the basis for EC participation in the Conference on Security and Cooperation in Europe (CSCE) in 1973. As I discuss in detail in chapter three, EPU did finally emerge from a series of challenges, beginning with the Year of Europe initiative in 1973, that forced the EC to project a common external voice that

\textsuperscript{123} “In the context of enlargement, they have requested the ministers of foreign affairs to study the best way of achieving progress in the area of political union.” (my translation) The Hague final communiqué, \textit{JOCE}, November 11 1969, p. 16.

\textsuperscript{124} “These disagreements (on location of the secretariat) prevented the creation of a specific institution for political cooperation…” Bitsch, p. 178.
reflected its combined economic power. In this process, The Hague summit clearly marked a turning point.

At the time of its publication, the Davignon plan shared the stage with the Werner and the Mansholt plans. Taken together, they offered a blueprint of what a united and motivated Community might hope to achieve: EMU within a decade, significant agricultural reform and a genuine shared voice on the international stage. Only a year after The Hague summit, at least on paper, the potential shape and direction of the future Community had become clearer. In the longer-term, such results clearly marked the summit as a historical turning point in determining the Community’s future. However, in the short-term, these decisions only had a limited impact, as many proposals were watered down or ignored.

The decisions taken at The Hague summit had been formulated for a Community of six member states with over a decade of shared experience in the unique culture of Community relations. When these same proposals were applied soon after to an enlarged and quite rebalanced Community of nine, complete with the cultural and political preferences of the United Kingdom, Ireland and Denmark, the basic ground rules had changed. It was not so much an enlarged Community as a totally new Community dressed in the same old Community clothing. Of course, this does not imply that the Community of six member states would have definitely adopted most of the new ideas without enlargement. For example, France always held strong reservations on any supranational expansion within EMU and West Germany would still object to paying the most for the CAP reform or locating the EPU secretariat in Paris. As it turned out, the unprecedented proposals for widening and deepening the EC that were on the table
following The Hague summit became a victim of timing, as pending enlargement monopolised the Community agenda until actual enlargement proceeded to draft a very different agenda.

**Enlargement**

The Hague summit broke new ground by officially announcing its support for Community enlargement.\(^{125}\) In the following years, the preparation for enlargement cut across many other aspects of EC policy and identity, with both predictable and unpredictable consequences. The British application had already been rejected twice, in 1963 and in 1967, for political and economic reasons, by President de Gaulle.\(^{126}\) In response, the other member states failed to muster sufficient support for the British case although the issue consistently caused internal Community tensions. The first two British applications had posed particularly thorny questions on agricultural issues, the reach of the United States and British priorities regarding the Commonwealth and Europe. By 1970, several basic circumstances had changed to make a third application more fruitful.

First, President Pompidou, though still a Gaullist, was at least tolerant of British membership under certain preconditions. After all, the British shared French aversion to supranational power and their arrival would also help counterbalance growing German economic and political power. On the German side, the United Kingdom’s entry represented a political ally with a genuinely global view and an opportunity to share the financial burden of costly Community policies. Moreover, since their failed attempts at

\(^{125}\)“They reaffirmed their agreement on the principle of Community enlargement, as laid down in article 237 of the Treaty of Rome.” (my translation) Hague communiqué, JOCE, p. 16.

\(^{126}\)Though most scholars prioritize de Gaulle’s geopolitical justifications for vetoing British membership, Andrew Moravesik offers a more economic reasoning in his article, “Between Grain and Grandeur”, *Journal of Cold War Studies*, vol. 2, no. 2, 2000.
accession, the British had dropped a number of their own preconditions even as the 
*acquis communautaire* had expanded.

Second, with the help of a shrinking Commonwealth market and the inefficiency of old industries, the British economy had continued its decline during the 1960s, even achieving the ignominious embarrassment of requiring emergency IMF support for Sterling in 1967. Over the same period, the EC had recorded reasonably strong growth rates in terms of trade and economic expansion. Third, within the British government, the special relationship that was thought to exist between the Americans and the British had become undermined by 1970, when Cold War politics almost exclusively occurred over the heads of the British. Finally, from 1970, in Edward Heath, the British had a prime minister who openly favored EC membership, even at the expense of the Atlantic ties.

The British application still posed unique difficulties for the EEC, especially the French, and forced the member states to first focus their efforts on defining their own vision of the Community’s future before welcoming new members. In a scenario that has been repeated before each subsequent enlargement, the member states proceeded to negotiate cast-iron guarantees on issues of crucial national importance that would contribute to the growing *acquis communautaire*. In consenting to enlargement, leaders at The Hague summit opened a new chapter in Community history, as well as a Pandora’s Box of future problems.

In anticipation of enlargement, the Community was forced to take stock of its larger purpose and to define a clear set of policies upon which it could base enlargement negotiations. Prior to The Hague summit, future integration policies, or ‘deepening’ had
taken a back seat to completion.\textsuperscript{127} However, once faced with the prospect of enlargement, the future identity of the EC became the core issue and, consequently, EMU, CAP funding, institutional reform and EPU came to dominate the agenda. Existing member states prepared to juggle the apparent contradictory challenges of President Pompidou triptych of ‘completion, deepening and enlargement’.\textsuperscript{128} Though intended to describe the priorities of the French government of the time, this triptych also explained a concept that was to remain applicable to future enlargements and partly described the contradictory general dynamic of European integration: the simultaneous addition of new member states with greater expansion in political and economic integration within the new entity.

By ‘completion’, President Pompidou meant the completion of the customs union among the six member states and the self-funding mechanism of the CAP. Principally funded from customs levies placed on imported goods and a 1% VAT surcharge on goods sold within the Community, such an unalterable mechanism leant a sense of finality, or completion, to a project fiercely defended by French negotiators. Obviously, the fact that the system demanded more payments from countries with large quantities of non-EC imports, such as Britain, and less from countries that had negotiated access rights for its former colonies, such as France, was not lost on the applicant states.

Equally, before accession could be agreed, the CAP system of agricultural price guarantees and income support needed to be finalised. Although principally pushed by

\textsuperscript{127} “But very little had been said about the other element of what had come to be called the ‘triptych’. This is ‘deepening’, or developing the Community-in other words, what kind of Community is it to be and where is it trying to go? Yes this is what counts.” “Do You Mean It?”, \textit{The Economist}, 29 November 1969, p. 18.

\textsuperscript{128} “He (Pompidou) also proposed on the same day a programme of action under the form of the triptych, ‘completion, deepening and enlargement.’” (my translation) Bitsch, p. 175.
the French government, the CAP subsidised the sensitive agricultural segments of all member states and in many regards, had become the sacred cow of the entire Community project. While state-sponsored agricultural protection was not a new concept, even the British practiced a form of farm subsidisation, the sheer scale and cost of the CAP put it in a league of its own. Given the small size of the British agricultural community, Britain could not hope to draw significant benefits from it. Despite efforts to downplay the CAP’s drawbacks, it clearly featured a range of ingredients certain to ensure serious and long-lasting British indigestion at the EC table.

Within the accession negotiations, several questions that arose were destined to alter key aspects of Community structure and functions for decades to come. First, the newly agreed Community budget system, already agreed among the Six, was due to place a heavy financial burden on the British, who imported the vast majority of their food and a large proportion of their industrial and consumer needs from non-EC countries. Moreover, the British farming sector was so small that any CAP receipts would always be dwarfed by their national contributions to the Community budget. In the end, the Heath government negotiated an unfavourable accession deal, only slightly improved by a long transition phase and a vague promise of a future review.129 This deal would become the source of much argument over the next decade and even the cause of a British referendum in 1975.

Second, as a means of compensating low British benefits from the CAP, Prime Minister Heath lobbied heavily for a new European Regional Development Fund.

129 “They (the government) are very aware that the deal they are getting on the budget is a bad deal. Hence the fact that they get the review clause.” Sir Stephen Wall, interview with author, London, February 17, 2011.
(ERDF). Though initially limited in scale,\textsuperscript{130} the fund was designed to placate British budgetary concerns by opening a new channel of resources for underdeveloped regions most likely to suffer from the Community’s proposed monetary union. By any standards, many British regions would qualify for such funding.

In linking the CAP issue with regional funding, the EC was opening the door to a future tool of European integration and, whether intentionally or unintentionally, expanding its sphere of interest into social and regional issues.\textsuperscript{131} After all, the fate of farmers leaving disadvantaged regions and the development of poorer regions could not avoid becoming a social question. This linkage was a clear echo of the aforementioned proposals made by Commissioner Mansholt throughout the 1960s. A classic example of a short-term solution with longer-term unforeseen consequences, the ERDF was designed to counter the burden of the CAP payments on Britain. However, in the long-term, it created a fund that linked the CAP with social and regional affairs, offering the potential of bypassing national governments and establishing a new and direct engagement between the EC and the regions. In opening a new link between regions and Brussels, enlargement had clearly contributed to a new departure in regional and social affairs and had changed the rules of the game.

Third, the arrival of three new members in 1973 added a new sense of urgency to existing claims for institutional reform within the EC as added numbers and wider interests exposed institutional limitations. Designed for a group of six member states and

\textsuperscript{130} The first ERDF program, covering 1975-1978, amounted to 1.3 billion ecu, less than 5% of the EC budget.

\textsuperscript{131} “It may be seen that the Regional Policy Committee, created at the same time as the RDF, will be seen in retrospect as a move forward in the evolution of Nine European national states into a European Community.” Barattieri & Thomas, p. 513.
based on a limited coal and steel community, the EC institutions required overhaul.

Ideally, reforms should have supported speedy decision making, streamlining of the administrative process and the clarification of boundaries of responsibility among institutions. Despite the urgency, obvious changes were slow and limited. As member states guarded their sovereignty, the Commission’s power to enact real policy changes remained limited, dependent on the whims of the Council.132

Equally, the European Parliament failed to gain real influence before the first accession wave. Even within the European Council of Ministers, the de facto centre of executive power, the reduction in the use of veto power proved a long and difficult battle. QMV, which was foreseen by the Treaty of Rome and seemed a logical step towards streamlining decision-making processes within an expanded Community, remained limited.

Finally, given the traditional global interests of the United Kingdom, accession negotiations also discussed trade relations with Commonwealth member states and their adhesion to the existing Yaoundé Convention.133 Later, this trade agreement with former colonies of European powers expanded to include former British colonies in Africa but not immediately to those in Asia or the Caribbean. Aside from establishing obvious trade relations between the Community and many developing nations, the Yaoundé Convention also introduced an international political role for the EEC in a world where

132 “The Commission will be invited to propose, not decide, Community negotiating positions…” “Signor Who?”, The Economist, 16 May 1970, p.35. “The fact is, however, that the member governments—often acting through the Commission—initiate, change and finally make every important Community decision. The Commission is a glorified go-between.” “Britain’s Flag in Europe”, The Economist, 9 October 1971, p.15.
133 The Yaoundé Convention of 1963, and its successor, the Lomé Convention, offered most-favored nation status to many former colonies in Africa trading with the EEC. In addition, it created a development fund to finance infrastructure works.
development had become a key factor in Cold War politics. Whether intentionally or not, the core purpose of the EEC, trade cooperation, had taken a step into the uncharted territory of international politics and this represented a significant turning point. I will discuss the details of the British accession saga and reassess their global contribution to the EEC in chapter four.

**Conclusion**

In conclusion, The Hague summit and its immediate aftermath marked a critical turning point in the history of the Community in its progression from a limited trade bloc to a broader and more important global economic and political actor. Although many of the decisions and recommendations of the summit were not immediately pursued to their logical conclusion, their long-term impact as policy blueprints for subsequent Community development is clear and of great historical importance.

Without the detailed EMU road map contained in the Werner Report and an understanding of the problems that led to its subsequent failure, the eventual introduction of EMU in the 1990s would certainly have carried more risk. Equally, the innovative and radical proposals of the Mansholt plan, though initially watered down in the face of powerful agricultural interests, did eventually form the nucleus of the MacSharry reforms in the early 1990s. While the content of the Davignon plan on EPU also experienced limited success at first, it was clearly consulted in the gradual development of political cooperation among member states, eventually forming one of the pillars of the Maastricht Treaty.

Finally, the opening of accession talks with the United Kingdom represents a watershed moment in EEC history, as the decade-long saga finally ended and
transformed the Community into a very different entity with many new interests. The implications of all of these important decisions will be discussed separately over the course of the following chapters but their combined impact on EEC development is substantial and qualifies The Hague summit as a major milestone in the definition of the modern EU.
Chapter 2: The Roots of EMU 1969-1992

‘If Europe today is deep in the woods of Economic and Monetary Union, and its problems and implications, the trees we are bumping into are recognisably those planted during the period of this story [1963-75].’

‘Each Member State shall treat its policy with regard to rates of exchange as a common concern.’

‘These transfers of responsibility represent a process of fundamental political significance which implies the progressive development of political cooperation. Economic and monetary union thus appears as a leaven for the development of political union, which in the long run it cannot do without.’

‘A Monetary Union is…an irrevocable sworn co-fraternity – ‘all for one and one for all’ – which, if it is to prove durable, requires, judging from past experience, even closer links in the form of comprehensive political union.’

‘Why is an economic authority so important? First, because it is, in a way, synonymous with political union in the sense that Germany has always demanded as a precondition for accepting EMU….political union precisely consists of a close coordination of economic policies among Member States.’

Introduction

The serious financial and political crisis that erupted and engulfed the Euro zone after 2008 presents a significant challenge to the viability of the Euro currency and has exposed the structural weaknesses of the European Monetary Union (EMU) project, often

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presented as the crowning achievement of the EU. The causes of these recent cracks in the EMU façade result from a broader and well-established tradition within the Community’s general *modus operandi*: respected and logical economic principles are often sacrificed for the more valuable goal of European unity and political compromise.6

The current disillusion surrounding the Euro contrasts dramatically with the fanfare of its launch in 1999 and the introduction of Euro notes and coins in 2002. Presented as a vital ingredient in the development of the European single market, the Euro was designed in the 1990s to facilitate cross-border trade within the EU and give it a presence in international currency markets that more accurately reflected the Community’s significant role in global trade and politics. According to the Community, this new currency represented a financial symbol of a more integrated Community at home and a more assertive and unified player on the world stage. In many senses, this was felt to symbolize the fulfillment, in the monetary sphere at least, of the goals of the Treaty of Rome.

‘The Community shall have as its task, by establishing a common market and progressively approximating the economic polices of Member States….to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.’7

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6 The Stability & Growth Pact enacted with the Euro in 1999 furthers this tradition. Although it insists on specific economic pre-conditions for entry into the Eurozone and penalties for failure to respect the conditions, it had no real force and has consistently failed to prevent breaches. “So, effectively enforcement must rely on the public shaming of countries that breach the rules.” BBC News website, “What is the European Stability Pact”, [http://news.bbc.co.uk/2/hi/business/3139460.stm](http://news.bbc.co.uk/2/hi/business/3139460.stm) September 2003 (12 December 2012).

7 Treaty of Rome, Article 2.
Along with an expanded single market, a more unified Community foreign policy and greater supranational control of common social, consumer and environmental policies, the Euro has often been presented as the jewel in the crown of the Community’s integration flurry that marked the late 1980s and the early 1990s. While this was indeed a significant period of accelerated integration within the Community, propelled by the close collaboration of the Commission and the Council, it would be a mistake to view the story of EMU and the Euro itself as a sudden development of the 1980s. This chapter will address these longer-term origins of EMU, responding to a growing realization among scholars today that some of its essential foundations, and those of wider integration processes, were broadly outlined decades before they became reality.

‘Shifting national preferences in other areas might have hindered short-term decision making but opened perspectives for more dramatic moves in the future. Instead of seeing the ambitious slate of initiatives realized or launched under the Delors presidency as an outcome of favorable developments in the 1980s, it might be worth tracing their roots to the 1970s.’

Although the Treaty of Rome does not explicitly mention a common monetary policy, it is indirectly suggested in the text and rapidly became part of the discussion once economic integration among the six founding member states progressed. As early as 1962, the Commission expressed its intentions to compliment existing economic integration with monetary coordination, arguing that the former “would be incomplete and would risk being inefficient, unless a similar approach was adopted

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for monetary policy.”

On closer inspection, it becomes clear that EMU’s lineage dates back many decades and its development over this time has resulted from both internal and external motivations. First, the goal of EMU has always been expressed by the Commission in the context of the welfare of the single market. Obviously, by linking monetary union with common agricultural, economic and commercial policies, the main pillars of the EEC project, it also has to be considered as a crucial step towards political union.

Second, the degree of the EEC’s interest in monetary union at any given time has been strongly influenced by the stability of the international monetary system, represented by Bretton Woods until 1971, and particularly the fluctuating value of the dollar. Clearly, while a unified Community front behind a single currency would enhance its global role and more accurately represent its combined economic power, the Community was initially preoccupied with building the common market and customs union. Moreover, when the Treaty of Rome was signed in 1958, Bretton Woods still functioned well enough that a move towards monetary union was not yet seen as urgent.

However, as early as 1962, the Commission expressed concerns when it stated that the international monetary system “seems somewhat fragile….the creation of a European reserve currency would considerably facilitate international monetary cooperation and the reform of the present system.”

The subsequent history of EMU is inextricably linked to the internal political bargaining among member states and

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11 Ibid, p. 76 “In this regard, we remark that it is not just global monetary stability in question here but also the functioning of the single market.” (my translation).

12 Le programme d’action de la Communaute pendant la deuxieme etape, p. 76.
Community institutions that became a hallmark of the organization as well as its response to international economic and political pressures. By tracing the domestic and international political and economic environment experienced by the EEC since the 1960s, this chapter will highlight the long-term influences and pressures that forged the eventual format of EMU that emerged in the early 1990s.

As with many other EEC common policies, the path towards EMU has been shaped by a series of short-term or intentionally vague policy steps that combine to create a politically motivated end product not necessarily based on economic sense. Often sidestepping essential economic fundamentals along the way for the sake of achieving a political consensus, EMU advanced in fits and starts.

‘The history of monetary integration in Europe distinguishes different phases which do not demonstrate a direct line of continuing development but to the contrary are characterized by fall-backs and bypasses.’

Though numerous Community reports, legislative acts and committees have dealt with EMU since the 1950s, for the purpose of this chapter, I will focus on two key reports that have shaped the character and goals of monetary union. First, I will examine the Werner Report of 1970, which marked a genuine watershed moment in both EMU and Community history yet seems to have gone under the radar of most historical analysis. In particular, I will examine the extent to which this report

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shaped the second, and much higher profile, Delors Report of 1989, which has been widely recognized as the genesis of EMU as it is known today.\footnote{Officially called “The Report of the Committee for the Study of Economic and Monetary Union.” \textit{Bulletin of the European Communities} (Luxembourg: Commission of the EC, 1989).}

The Werner Report was commissioned by EC heads of state at the Hague summit in 1969 and encapsulates some of the currents of economic thought within the Community at a time when the Bretton Woods financial system, the key foundation of the post-World War Two global financial system, was showing serious signs of instability. When Bretton Woods finally collapsed in 1971, followed shortly by the first oil crisis, the Werner Report and its experimental currency system faded into the background as member states chose to cope with the economic fallout in a more unilateral fashion.

Only in the late 1970s, when economic pressures forced France and West Germany to broker a loosely organized system of monetary cooperation and exchange rate convergence, did member state interest return to a common solution. The resulting European Monetary System (EMS) of 1979 borrowed little from Werner and remained firmly outside the control of the EC’s institutions. Although it was built more on practical expediency for individual states than on any Community design, the EMS still offered a valuable learning experience that benefited later Community moves towards EMU.

Like the Werner Report, the Delors Report resulted from a decision taken at a heads of state summit. Commissioned at the Hanover summit of 1988, it reflects a more mature interpretation of the purpose and extent of EMU than was evident in 1970. Ironically, just as the Werner Report closely predated the international crisis of the 1970s, the Delors
Report closely predates an international crisis of its own. As the ink still dried on the document, the collapse of Communism in the East provided a timely reminder that the Community was but one part of a much wider Europe and that changing international circumstances would have to be addressed. On the other hand, the fall of Communism also served to prioritize EC focus on an acceptable political agreement regarding EMU, neglecting significant financial pillars for the sake of speed and short-term political solidarity.\(^{16}\) Although the two reports feature many differences that demonstrate the specific economic and political environments that shaped each one, their common threads are unmistakable as both define the EMU system that emerged in 1992 and remains in place today.\(^{17}\)

**EEC Monetary Policy 1958-1969**

The Werner Report did not emerge from a vacuum. Since the end of the Second World War, European countries had been focused on creating a workable regional system that would ensure convertibility between trading partner currencies and facilitate trade exchanges. Following the disastrous impact of unemployment and national trade barriers during the 1930s on the political stability of European states, the twin goals of employment and free trade became a veritable obsession with European governments

\(^{16}\) When German reunification became a distinct possibility after 1989, France and other Member States insisted on rapid EMU progress to ensure Germany remained firmly anchored within the EC.

\(^{17}\) "The Werner Report, prepared in 1970, presented a plan for the attainment of economic and monetary union."

"In defining EMU, the Delors Committee relied explicitly on the work of the Werner Committee." Horst Ungerer, *A Concise History of European Monetary Integration: From EPU to EMU* (Westport CT: Quorum Books, 1997) p. 42.
after 1945. Crucially, the Marshall plan assistance offered to European countries in 1947 reinforced this new approach. Before receiving any financial assistance from the fund, national governments were required to present economic plans and to instigate lower trade barriers that would prioritize these twin goals. Of course, this was not just a European development as the new international order, through the General Agreement on Tariffs and Trade, (GATT) and the Bretton Woods financial arrangement, also included a strong focus on global free trade. In this regard, any future European regional trade organization would inevitably have to negotiate its structure and role in the context of an increasingly global trade network.

As the dominant international financial structure from 1945 to 1971, the Bretton Woods system played a critical role in the early development of EMU and the EEC’s approach to monetary policy. Under this system, the US dollar, the lynchpin currency, maintained a fixed parity with gold while all other participating currencies were pegged to the dollar, with a fluctuation rate of 1%. From 1958, after the lifting of post-War restrictions on currency convertibility in Europe, seventeen European states agreed to limit mutual fluctuation rates to 1.5% through the European Monetary Agreement (EMA). In the event of temporary disequilibrium between any given currency and the dollar, the International Monetary Fund (IMF) was designed to provide short-term funding to assist the weakened currency. In the event of a more substantial currency

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18 On unemployment, Yergin & Stanislaw state that, “What happened over the subsequent four decades….cannot be understood without grasping that unemployment was the central structural problem toward which all policies were to be geared.” Daniel Yergin & Joseph Stanislaw, The Commanding Heights: The Battle for the World Economy (New York: Simon & Schuster, 2002) p. 3.
imbalance, a change in parity was allowed by changing the non-dollar currency parity to gold. The dollar parity to gold could not be altered from $35 per ounce. As long as the United States was prepared to run a deficit and other governments were not pursuing a fundamentally different monetary policy, the system was presumed sound. In any case, in 1958, when the EEC was founded, the Bretton Woods system was presiding over a rapidly expanding international economy, with consistent growth, low unemployment and limited inflation. In such an environment, the EEC, whose total GDP grew at an average of 4.8% per year between 1961 and 1970, had little incentive to challenge the status quo of fixed exchange rates pegged to the dominant dollar.

In this context, the Treaty of Rome’s brief coverage of monetary policy can be partly attributed to the stability of the existing international system. According to Ungerer, “The monetary policy provisions of the EEC Treaty were, in part, based on the implicit assumption of the durability of Bretton Woods”. Nonetheless, some key indicators of future directions in monetary affairs are apparent from the Treaty. According to article 104, the EEC and its member states were bound to maintain stable national currencies while ensuring the prioritization of employment and low inflation, “Each Member State shall pursue the economic policy needed to ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of

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22 Horst Ungerer, cited, p.73.
prices.” Equally important, the Treaty identified monetary policy as one of the tools destined to ensure the smooth functioning of the Common Market, which was the central goal of the EEC project. “In order to promote co-ordination of the policies of Member States in the monetary field to the full extent needed for the functioning of the common market, a Monetary Committee with advisory status is hereby set up.”

To this end, the Monetary Committee was created in 1958 to fulfill an advisory role. This committee would play an increasingly important role in the future development of EMU. Again, in articles 108 and 109, the prioritization of the common market project and the subordination of monetary policy to this end are made clear.

‘Where a Member State is in difficulties or is seriously threatened with difficulties as regards its balance of payments either as a result of an overall disequilibrium in its balance of payments, or as a result of the type of currency at its disposal, and where such difficulties are liable in particular to jeopardise the functioning of the common market……the Commission shall immediately investigate the position of the State in question’

‘Such [protective] measures must cause the least possible disturbance in the functioning of the common market and must not be wider in scope than is strictly necessary to remedy the sudden difficulties which have arisen.’

Despite this brief mention of monetary policy in the founding document, the Treaty’s overall concern with principles over functionality meant that “the Treaty set coordination as a condition and objective, but failed to provide for implementing norms.

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23 Treaty of Rome, Article 104.
24 Treaty of Rome, Article 105.
25 Ungerer, p. 85.
26 Treaty of Rome, Article 108.
and concrete instruments to render it a reality.” Mainly due to member state disagreement on institutional responsibility and power distribution, the EEC has often followed this pattern of setting a specific goal without immediately elaborating on the means to achieve this goal. In an effort to fill this Treaty gap, the Council of Ministers eventually created two committees, the Short-term Economic Committee (STEC) and the Medium-Term Economic Committee (MTEC), in 1960 and 1964 respectively. These organs consisted of national officials and, as per the Treaty, their purpose was to ensure coordination of member state economic policies and currency stability for the sake of the Common Market. While these committees had no real executive powers of coercion and their fields of competence often overlapped, they did provide valuable informal channels of communication among member state representatives, which was to prove a valuable asset for the future development of EMU. Throughout this period, the Commission of the EEC took a proactive interpretation of its Treaty role as policy initiator. Besides issuing policy reports on the state of play in economic and monetary policy, the Commission frequently published initiatives couched in the sort of language that caused unease among member states determined to exclude supranational bodies from essential decisions of state. In 1962, the Commission’s publication of a memorandum on the Community’s action plan for the second phase of the Common Market illustrates this tension that has remained omnipresent throughout the Community’s life, and formed a

29 The STEC was based on Council decision on coordination of the conjunctural policies of the Member States, 9 March, 1960, OJ No 31, 9 May 1960, p. 764. The MTEC was based on Council decision (64/247/EEC), 15 April 1974, OJ No 64, 22 April 1964, p 1031. Both committees were replaced by the Economic Policy Committee (EPC) in 1974.
30 Ungerer, p.85.
crucial backdrop to the Werner Report. In this memorandum, the Commission begins by claiming that, ‘The so-called economic integration of Europe is, in essence, a political phenomenon.’ Before going on to state:

‘Monetary policy is of critical importance for the common market. In effect, at least following the transition period, economic union implies the parity of member state currency exchange rates, subject to very narrow fluctuation bands. The Commission’s suggestions are based on the existing cooperation among the six member states. However, new preliminary consultation procedures are expected and should gradually lead towards effective monetary union.’

Of particular relevance to the development of EMU, the memorandum recommends the creation of a ‘committee of central bank governors’, greater influence for the Monetary Committee in the monetary policy actions of member states and the creation of a ‘budgetary policy committee’. As often became the case, the Commission walked a fine line in its memorandum between exercising its duty under the Treaty to advance the Common Market among member states and proposing a new departure in supranational authority. For example, concerning the proposed committee of central bank governors, the Commission justified its suggestions under article 105 of the Treaty of Rome.

‘From a legal point of view, the Commission’s proposals contained within the Community Action Programme during the Second Stage are based on article 105 of the Treaty….These proposals contain no supranational elements because the Treaty of Rome does not allow for such. The exclusive aim is for collaboration and cooperation between Member States, each remaining master of its own decisions.’

However, at the same time, the Commission clearly envisaged some supranational expectations for the proposed committee.

‘It is hoped that the Committee of Governors could represent the seed of a

31 Le programme d’action de la Communaute pendant la deuxieme etape, p. 9 (my translation).
32 Le programme d’action de la Communaute pendant la deuxieme etape, p. 9 (my translation).
In recommending these steps, the Commission underlined the degree of monetary policy cooperation already practiced among the six member states and the fact that, in the context of the second stage of Common Market integration, budgetary policy within a given country could no longer be taken in isolation from that of its fellow member states. In anticipation of national objections, the Commission limited the extent of its proposed budgetary cooperation to broad monetary balances, excluding the domestic distribution choices made by member state governments.

Interestingly, at this time the Commission also expressed its concern with the rising rate of inflation within certain member states as well as the balance of payments deficit in the United States, two issues destined to play a key role on the road to EMU. In 1964, two years after the publication of the Commission memorandum, the EEC Council created the Committee of Central Bank Governors (CCBG) and the Budgetary Policy Committee. According to Harold James, ‘Without the Committee of Governors, one of the most momentous…events in modern financial history, the decision to create the European single currency, would not have taken place.’

In the European Parliament’s 1966 report on the progress of monetary policy within the Community, monetary policy was strongly linked to economic policy and foreign trade policy, the core measure of EEC success. This report also listed the accomplishments of the EEC in this field, including the Monetary Committee, the STEC,
the MTEC, the Budgetary Policy Committee and the CCBG. Although recognizing the inexperience and lack of executive power of these institutions, the report predicted that they could still form a base of Community experience and expertise in the monetary field that could prove valuable in the future. Effectively admitting the limitations of these institutions, the Parliament still chose to see the glass half full. According to the report, ‘Permanent contact between political bodies and member state experts at different levels will build a foundation for future progress’. 36 This view is echoed by the political scientist, David Andrews, who claims that these organs fostered an informal working network that could later be relied upon to facilitate the rapid introduction of EMU in the 1990s. 37

The relative stagnation in Community monetary policy between 1964 and 1968 reflects a broader period of crisis within the Community as the ambition of the Commission, led by Walter Hallstein, was curtailed by President de Gaulle, determined to prevent the supranational organization from dictating Community policies and introducing majority voting into the Council. This standoff reached a crescendo when France boycotted Council meetings during 1965 and 1966 until an informal agreement, called the Luxembourg Compromise, was finalized to recognize national governments’ right to veto decisions of national importance. The combination of this new de facto national veto power and the stinging rebuke issued to the Commission by de Gaulle meant that any supranational initiatives, including those related to monetary policy,

enjoyed little chance of success after 1966. When the issue finally returned to centre stage in 1969, it was within a political and economic environment where national governments still excluded the Commission from important decisions in EC policy.\(^{38}\)

1969-1979: Surviving the Storm

‘The decline of Bretton Woods and rising capital mobility, both of which undermined domestic macroeconomic autonomy, triggered a search for regional arrangements to stabilize exchange rates.’\(^{39}\)

As discussed in chapter one, 1969 represents a significant turning point in the development of the Community on several fronts. The reasons for this change in environment are multiple. Within the Community, 1969 witnessed the election of new and more flexible leaders in France and Germany, important influences on Community policy. Following de Gaulle’s departure from office, his successor, Georges Pompidou, offered less resistance to British accession, institutional reform and monetary cooperation since the French priorities within CAP and the new EC funding mechanism had been guaranteed by 1969. Moreover, unlike de Gaulle, Pompidou required the domestic support of more moderate and pro-EC parties to retain a parliamentary majority, which helped curtail any strong Gaullist urges.

In West Germany, Willie Brandt was elected as Chancellor in October 1969. The first post-War Socialist Chancellor, Brandt saw the Community as an opportune vehicle

\(^{38}\) According to Paul Collowald, former deputy spokesman for the Commission in 1969, the president of the Commission in 1969, Jean Rey, had the misfortune to follow the Hallstein Commission, which meant that, during the summit, ‘the president would have the floor [of the Council meeting] for one hour before being accompanied outside by an official’ Paul Collowald, interviewed by Etienne Deschamps, “Raymond Barre at the European Commission”, www.cvce.eu 2002 (7 December 2012).

\(^{39}\) Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, p. 239.
within which Germany could play a role commensurate with its economic strength without raising international concerns against a resurgent Germany. While neither leader could be described as a European idealist, both were open to the idea that EC structure could serve to advance some of their domestic priorities.

Second, Great Britain was preparing a third application for membership and, since it now stood a good chance of accession along with Denmark and Ireland, time was running out before the French could no longer exclude the British from helping to create binding Community rules. Third, the financial and political hegemony of the United States in the developed world was coming under threat and the new shape of the international order remained unclear. In particular, the Bretton Woods system was being undermined by American deficit spending and the subsequent export of inflation to its main European trading partners, principally West Germany.

In such circumstances, a new sense of urgency arose among Community leaders as the Common Market and the rest of the EC project required a viable international monetary alternative to ensure economic stability. Following the French social unrest of May 1968, the French franc came under serious pressure, as investors moved their holdings from France to West Germany.

In the fall of 1968 and again in 1969, the vulnerability of the Six was exposed when France and West Germany were forced by international speculation to unilaterally devalue and revalue their currencies respectively. The consequences of these uncoordinated actions between member states negatively impacted the functioning of the CAP and exposed the limits of the 1964 Council of Ministers decision for member states.
to consult within the Six before making unilateral exchange rate adjustments.\footnote{On August 8, 1969, France devalued the franc by 11.1\%, shortly followed by a German revaluation of 9.3\%. Pierre Werner, \textit{Itineraires luxembourgeois et europeens, evolutions et souvenirs}, (Luxembourg: Editions St. Paul, 1991) p. 351.} By the late 1960s, the global nature and growing speed of capital movements posed a significant threat to monetary stability and the effectiveness of national instruments, such as capital controls, to counter them. According to Eichengreen, the currency adjustments forced on countries like France and West Germany during this period resulted partly from public pressure against the use of capital controls, a common monetary instrument dating back centuries, but one that hurt the public. In the welfare states of post-War Europe, he states that, ‘It was no longer certain that, when currency stability and full employment clashed, the authorities would opt for the former.’\footnote{Barry Eichengreen, \textit{Globalizing Capital: A History of the International Monetary System}, (Princeton: PUP, 1996) p. 4.}

Finally, while the coordination of monetary policy among member states had advanced somewhat in the previous ten years, it had usually not been discussed outside the context of economic policy or the completion of the Common Market.\footnote{Articles 103-108 of the Treaty of Rome had indirectly outlined a common monetary policy.} However, by 1969, monetary policy was increasingly intertwined with Community discourse on the pending enlargement of the EC, the response of the Community to the international dollar crisis, CAP viability, European regional development and institutional change.

Concerned by the multi-faceted threat perceived from international monetary instability to the customs union, and the disorganized response from member states to the Franco-German currency debacle, the European Commission presented a memorandum to the Council of ministers in early 1969, outlining its proposals for monetary stability within the EC. Informally known as the Barre Plan, after Commission Vice-President
Raymond Barre, it suggested coordinating exchange rate adjustments in advance as well as the creation of lines of credit to assist member states in currency difficulty. It also recommended abolishing margins of fluctuation between European currencies and creating a common unit of account.\(^{43}\) The unit of account to this point had been the US dollar.

Ratified by the Council of Ministers in July 1969, the Barre Plan did not quite receive a ringing endorsement but was important in the establishment of a short-term monetary support facility among the six central banks.\(^{44}\) It also provided a valuable discussion focus for the summit of national leaders that followed in December.\(^{45}\) However, according to Pierre Werner, prime minister of Luxembourg at the time, intergovernmental moves among the Six had already commenced in late 1967, when ‘The first time that the Six adopted an officially communautaire attitude towards each other in this area (monetary policy) occurred regarding modifications to be carried out on IMF statutes.’\(^{46}\) In late 1967, the Council voted to combine the IMF contributions of member states in order to gain a bloc vote within the international organization.

Faced with such a backlog of urgent matters and with domestic political pressure building on each government to take action, president Pompidou invited the leaders of the Six to meet in December 1969 at The Hague. Although this summit meeting has been described as a symbol of the reawakening of a European spirit that had been lacking for


\(^{44}\) According to Apel, the facility amounted to a maximum of 1 billion units of account (USD), divided among the six central banks. *European Monetary Integration*, p. 31.

\(^{45}\) ‘The Barre Plan was at the heart of the discussion at the Hague summit.’ Paul Collowald interview, [www.cvce.eu](http://www.cvce.eu), 2002.

several years, the participating member states also had strong domestic motivations to take decisive action. Primary among these motivations was addressing the Franco-German monetary crises that had recently destabilized the EC. Forced to introduce a system of monetary compensation amounts (MCAs) between states to negate the impact of currency divergence, the Community had to rescue the CAP almost as soon as it had been introduced. With so much of the Community’s budget and reputation riding on a successful CAP, a more sustainable solution than ad-hoc MCAs had to be found.

Following the relative deadlock of the previous few years, the summit represented a critical turning point in the development of the EC from a limited common market to a larger and more integrated economic and political entity, in which Member States agreed to pool increasing amounts of national sovereignty for a shared goal. This turning point was perhaps most apparent in the monetary field. As a result of the summit, Pierre Werner was charged with the task of assembling a committee to outline the future path of EMU within the EC. The task of the Werner Committee was explicitly stated in the final summit communiqué, ‘…a plan in stages should be worked out during 1970 with a view to the creation of an economic and monetary union. The development of monetary cooperation should depend on the harmonisation of economic policies.’ Werner had already been actively promoting the idea of EMU within the Council of Ministers and more publically for almost a decade. He had even suggested the name ‘Euror’ for the

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47 According to Apel, “MCAs took the form of import subsidies (taxes) and export levies (subsidies) on the agricultural trade of the Member State whose currency had been devalued (revalued). The system….would have been almost impossible to administer under flexible exchange rates.” European Monetary Integration, p. 28.


49 In 1960, Werner delivered an address in Strasbourg, entitled, “Significations d’une intégration monétaire”, Documentation bulletin No 15 of 30 November 1960, 16th year, (Luxembourg: Information
future unit of account. As finance minister, foreign minister and then prime minister of Luxembourg, the financial heartland of the Six, he was acutely aware of the importance of a stable monetary environment.

Though this was not the first time that the Council had discussed EMU, this was the first time member state governments explicitly requested a timeline and a plan towards its implementation. By 1969, the combination of merging political will to stabilize domestic currencies and the genuine need for a monetary system to support the Common Market in the face of international uncertainty suggested that the EC had become serious about taking real steps towards EMU and about altering the fundamental nature and scope of the Community.

After years of relative inaction, political leaders were in a position they usually tried to avoid: urgent circumstances dictated that real decisions had to be executed and implemented. Consequently, the monetary plan that eventually emerged would have to mirror the mood of the Council and the gravity of the circumstances by outlining significant changes that would shape a new and more coordinated Community as the post-War international economic order began to drift into unchartered water.

‘Werner was established in October 1970….showing that there was a desire to stabilize, even unite, European exchange rate policy even before the failure of the Bretton Woods system.’

‘The Werner Report on the realization by stages of economic and monetary union in the Community is certainly the most important document in European history since the signature of the Treaty of Rome.’

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The Report on the realization by stages of economic and monetary union in the Community was presented to the Council and the Commission on October 8, 1970 and passed by the Council on March 22, 1971. Based on the deliberations of Prime Minister Werner, five other national officials and a solitary Commission official, the report was clearly designed to limit supranational expansion in favor of a politically acceptable compromise among national positions. The Hague summit might have provided a new breath of fresh air into the integration process but this air was not intended to inflate the Commission’s role at the expense of national governments.

More often referred to as the ‘Werner Report’, the report opens by acknowledging the achievements in Community integration over the previous decade, namely the CAP and the customs union. However, it claims that insufficient progress has occurred in basic Treaty requirements such as economic and monetary convergence, capital movements, freedom of circulation, social policy coordination, regional policy and even foreign economic policy. It then proceeds to build its case for greater economic cooperation by stating that ‘The increasing interpenetration of the economies has entailed a weakening of autonomy for national economic policies. The control of economic policy has become all the more difficult because the loss of autonomy at the national level has not been compensated by the inauguration of Community policies.’

Bartolini has expressed this phenomenon in terms of negative and positive integration,

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54 The Werner Report, p. 7.
where the amount of negative integration (such as lower trade barriers and the pooling of national sovereignty) in the EC has far outweighed a necessary counterbalance of positive integration (enhanced centralized power within EC institutions). Fundamentally, this imbalance was unsustainable.

According to Werner, while international companies had been adapting to the greater freedoms of trade and ‘speculative movements of capital have assumed enormous proportions’ individual national governments had become more powerless to control events within their own borders. In this context, EMU within the EC is presented as a solution to empower national governments in the face of international capital movements, to help achieve the Treaty’s fundamental vision of stability, employment and growth, reduce regional and social disparities and protect the environment.

‘Economic and monetary union will make it possible to realize an area within which goods and services, people and capital will circulate freely and without competitive distortions, without thereby giving rise to structural or regional disequilibrium.’

The report then defines its vision of EMU as ‘…the total and irreversible convertibility of currencies, the elimination of margins of fluctuation in exchange rates, the irrevocable fixing of parity rates and the complete liberation of movements of capital.’ While a single currency remains optional, the report favored eliminating national currencies for the sake of irreversibility. In terms of institutional change, the

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55 “...the current boundary configuration [in the EC] is typical of a political formation in which the standardization of the internal market regulation and the centralization of the jurisdictional activities have developed before and without the centralization of political power...and the creation of political structures and agencies.” Stefano Bartolini, Restructuring Europe: centre formation, system building and political structuring between the nation-state and the European Union (New York: Oxford University Press, 2005) p. 25.
56 The Werner Report, p. 8.
57 The Werner Report, p. 9.
report advocates a centralized authority for monetary policy, a de facto European Central Bank or system of banks, though it does not go quite as far for the purpose of budgetary harmonization among Member States. In recommending merely a coordinated national effort in the budgetary area, Werner leaves the detail to be worked out by political leaders.

‘In this field, it is necessary to guard against excessive centralization. The transfers of power to the Community organs must be effected to the extent necessary for the proper functioning of the union, and must allow for a differentiated budgetary structure operating at several levels, Community, national, etc.  

In the sphere of economic coordination, the report walks a very fine line between recommending an independent centralized body, such as it recommends in monetary policy, and a more informal coordination of national policies, the preference of national governments. Werner’s recommendation is for a ‘centre of decision for economic policy’ whose very vagueness represents an attempt to satisfy both camps. The proposed centre should exercise an independent and ‘decisive’ influence on general economic policy, ‘based on Community interest’. In addition, it had to be capable of ‘influencing national budgets’.

Given the regional disparities already in existence within the EC in 1970 and the danger of EMU widening these disparities as weaker regions struggle to compete with wealthier ones in a common currency zone, the report proposes some Community orchestration of regional compensation and environmental protection. Even in 1970, it was clear to the committee that EMU would have an impact far beyond purely monetary affairs as regional policy would no longer be an exclusive domain of national

58 The Werner Report, p. 10.
governments, and social policy would require consultation with social partners at Community level.\footnote{The cohesion of the economic and monetary union will be all the more assured if the social partners are consulted prior to the formulation and implementation of Community policy….In order to avoid the emergence of excessive divergence, the trend of income in different member states will be studied and discussed at Community level with the input of social partners.” The Werner Report, p. 5 (my translation).}

Crucially, the report does not mince its words with regard to EMU and political union, still a sensitive issue for national governments. In order to implement EMU, the report states that the transfer of authority from national to Community organs ‘represents a process of fundamental political significance’ and that ‘Economic and monetary union thus appears as a leaven for the development of political union, which in the long run it cannot do without.’ While the report confirms that the realization of EMU as outlined above and the recommended transfer of authority to the Community required changes to the Treaty of Rome, the first stage did not require immediate treaty changes. In a speech to the Council of Foreign Ministers in October 1970, Werner confirmed as much:

‘I think that the proposals are within the bounds of the existing treaties and that they in fact tend to ensure the full completion of their objectives. Moreover, for the first stage, a significant part of the journey can be done without modifying the treaties.’\footnote{Pierre Werner, Council of Foreign Ministers, 26.10.1970, (my translation) in Pierre Werner, 

\textit{Itinéraires}, 1991, p. 133.}

In practice, the two main new organs of importance for EMU are identified as a ‘centre of decision for economic policy’ and a ‘Community system of central banks.’\footnote{The Werner Report, p. 12.} Demonstrating the political naivety of the report, it recommends that the new institutions be politically responsible to the European Parliament (EP) and that the proposed system for central banks be based on the American Federal Reserve model. In empowering the
European Parliament, Werner hoped that member states would accept centralized
democratic overview to compensate for losses in national democratic overview.\textsuperscript{62}
However, in 1970, the European Parliament enjoyed only limited consultation power and
was not even directly elected. The prospect of significant economic power being handed
over to such an unproven and peripheral body from the Council or the Commission was
remote. Moreover, while Member States were open to greater cooperation, the idea of
transferring sovereignty to Brussels still risked reopening the recent wounds of the
Hallstein/de Gaulle struggle.

The next section of the report describes the first of the three proposed stages of
convergence towards EMU. In the initial stage, the Council would direct economic
policy of member states, the Commission would ensure communication with member
states and the CCBG would make recommendations on monetary policy to the Council
and Commission. In terms of currency rate fluctuations, the central banks would also be
charged with setting exchange rate fluctuation limits within those permitted around the
Dollar under the Bretton Woods system. To ensure that currencies remain within the
desired fluctuation bands, the report suggests the establishment of a European Monetary
Cooperation Fund (EMCF), designed to fund market intervention and financial aid.
Controversially, the EMCF would require the transfer of a percentage of national
financial reserves during the first or second stage of the EMU plan and would eventually
come under the control of a new European system of central banks.

\textsuperscript{62} “To compensate for the loss of national control over economic policy, the powers of the European
parliament in Strasbourg would have to be considerably reinforced, officials said last night.” The Financial
Further, examination and comparison of national budgets would begin in order ‘to facilitate the harmonization of budget policies.’ To counter the uneven development of capital movement within the EC, which it identifies as an obstacle to the growth of the Common Market, the report recommends the abolition of capital controls as per the Treaty of Rome. Given the rising impact of international capital movements on currency stability in the late 1960s, this idea seemed to target a genuine threat. Following the first stage, the report is somewhat vague on the exact timetable of the movement towards EMU. Throughout this period, however, it foresees a trend of gradual policy harmonization among member states before authority is transferred to a central actor. While this vagueness allows certain flexibility in practical implementation, it also betrays the genuine uncertainty that surrounded the transfer of sovereignty from member state governments to the EC, a lesson learned from the previous decade of deadlock.

In summary, the Werner Report proposed a bold new step designed to expand the Common Market and alter the fundamental political and legal nature of the Community. Institutionally, it required the transfer of significant sovereignty from member states to new Community organs responsible for economic and monetary policies. Legally, from stage two at least, it obliged the EC to amend the Treaty of Rome and to voluntarily limit national governments’ ability to influence domestic and international monetary policy. Politically, it required sensitive concessions on matters of essential national importance: currency, budgets, regions and social relations. Even at the time of the report’s publication, politicians and the media were aware of potential pitfalls.

63 The Werner Report, p. 18.
64 Moravcsik, p. 264.
‘The framework conceived by the experts is in any case perfect as long as all goes well. It is admitted that each country must permanently demonstrate that it has enough monetary and financial wisdom, self-discipline, even orthodoxy to realize European coherence. This is possible but remains to be proven.’

Despite several important weaknesses, the Werner Report stands out for defining the future foundation of EMU and for forcing the EC to confront its purpose in a world that had changed considerably since 1958. The response to the Werner Report followed two traditional schools of thought that had dominated the economic debate since the 1960s: the so-called economist and monetarist approaches. On the ‘monetarist’ side, member states like France preferred EMU to take the form of a narrowing of currency fluctuation bands followed by a gradual convergence of national macroeconomic targets such as interest rates, budget deficits and national debt. In this approach, the burden of change would be shared equally among all member states and not unevenly by the weaker-currency states, headed by France. At this time, weak-currency states were defined as those who typically tackled budget deficits by currency devaluation and capital controls, which offered them short-term trade advantages and an easier political choice.

On the other side, the ‘economist’ school, led by West Germany and Holland, promoted economic discipline on national debt and interest rates before moving towards narrower fluctuation bands and EMU. Werner was aware of this divergence in philosophy and attempted to propose a compromise. Finally, the monetarist camp preferred nation-based solutions to supranational ones. In contrast, the economist camp

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66 “In a spirit of compromise, the definitive text of the Werner Report refers to the ‘parallel progress’ that must be undertaken towards the economic and monetary union.” Apel, European Monetary Integration, p. 33.
trusted supranational organs over nation states to ensure economic discipline, taking the view that pooled authority could better impose disciplinary rules on its members.

The economist stance adopted by West Germany during EMU discussions reflected a strongly embedded national aversion to inflationist economic policies. Early twentieth century German experience of economic hardship directly caused by the negative impact of hyperinflation offered a painful memory that directed, and still directs, national economic policy. Spearheaded by the German Central Bank, the Bundesbank, the national economic policy of Stabilitätspolitik, featuring low inflation and price stability, is a jealously protected priority. As a result, no prospective monetary union within Europe involving Germany would be allowed to stray far from these post-War guiding principles. According to German expert, William Smyser, these principles recognize the ‘fragility of value, the risk of total loss that can shatter lives and demolish families…. [which] remain deeply ingrained in the German psyche even to this day.”

As the principle supranational authority within the Community, the Commission broadly agreed with the Werner Report. However, the Council took a little longer to deliberate before delivering a resolution. Within three decisions during March, 1971 on the ‘attainment by stages of economic and monetary union’, the Council supported most of the ideas of the report without offering specific steps to achieve them. In particular, it avoided mentioning the ‘centre of decision for economic policy’ and the need for a Council meeting to recommend Treaty changes. However, it did announce its support

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69 Ungerer, p. 115.
for short-term economic policy coordination, quantitative guidelines for budget policy,
tax harmonization and the liberalization of capital movement.

Finally, it invited central banks of member states to narrow exchange rate fluctuations
and requested a report on the organization of the EMCF. Following the Council’s
request, the CCBG agreed to narrow fluctuation margins between EC currencies and, as
of June 15, 1971, the margin of fluctuation between each currency was limited to 0.6%
above or below, or a maximum of 1.2% potential fluctuation. In turn, the maximum
potential fluctuation between individual EC currencies and the US dollar was maintained
at 1.5%, or 0.75% on either side.\footnote{Apel, \textit{European Monetary Integration}, p. 35.} By mid 1971, despite this seemingly lukewarm
response by the Council, the sands of economic organization within the Community were
beginning to shift.

‘…a first step in the long road toward the realization of EMU was about to be
taken. The objective of EMU as defined in the Werner Report and its acceptance
in principle by Member States determined for the next 25 years the efforts for
monetary integration in the EC’\footnote{Ungerer, p. 116.}

Of course, the development of monetary policy in the EC did not occur in a
vacuum. Internationally, the Community had become a major economic bloc by the late
1960s and was very sensitive to the welfare of the global monetary structure still based
on the Bretton Woods system. As beneficiaries of the post-war economic growth
experienced under Bretton Woods, member states saw little reason to challenge the \textit{status quo}. However, by 1969, cracks began to appear in the system and the wheels were set in
motion, principally by West Germany and France, to outline an alternative that would ensure monetary stability in the EC on its own terms.

Although the Werner Report contained novel recommendations that sought a compromise between monetarist and economist views and represented a foundation for a real alternative to a stuttering international system, finding a workable solution to make EMU a reality among six and then nine independent national economies would still take time and would require a sustained period of economic stability. Unfortunately for the EC and the short-term prospects of the Werner Report, the period immediately following 1971 was no such time.

When president Nixon unilaterally suspended dollar convertibility to gold in August 1971, the cornerstone of the Bretton Woods system disappeared overnight as international currencies lost their anchor. Following years of rising deficits and divergent inflation rates with many of its trading partners in Europe, the American government finally decided to prioritize its domestic stability over its international duties. Over the previous few years, it had become clear that currencies based on a system of price stability and balanced budgets, such as in West Germany, could not remain pegged to an unstable and overvalued dollar resulting from expansionary social spending and war funding. Something had to give and the solution seemed to be a new world of floating currencies. However, for a Community seeking currency stability, floating currencies, especially between member states, spelled disaster. At first glance, the moment seemed propitious for the Werner plan to take centre stage as a stable currency zone was exactly what the Community required.
However, as a response to an immediate crisis, the Werner plan proposals fell short on several fronts. First, it presumed a shared political will and convergent economic policies among the member states. Even before the collapse of Bretton Woods and the sudden rise in inflation rates after the first oil crisis, member states had been following incompatible economic policies, which made a common approach impossible.\textsuperscript{72} In France, until the mid-1970s, governments used currency depreciation as a monetary tool to avoid inflicting unpopular domestic austerity measures. While this typically provided short-term relief, it fueled inflation and became more ineffective as greater capital mobility moved resources elsewhere.\textsuperscript{73} In contrast, West Germany’s economic policy was based on a strong and stable currency, low inflation and public spending cuts when required. If the Werner plan were to succeed, it would require a significant policy shift from one of these countries and this was unlikely in the short-term.

Second, the plan involved the transfer of significant economic and monetary sovereignty from member states to as yet non-existent central bodies. The proposed ‘centre of decision for economic policy’ and the system of central banks would take time to create and would be powerless unless member states had the political will to cede authority. The Werner plan proposals may have made some economic sense but given the painful experience of the Hallstein-de Gaulle standoff a few years earlier, few

\textsuperscript{72} According to Gros & Thygesen, while inflation differentials between Germany on one side and the UK, Italy and France on the other did not deviate above 5% until 1973, during the following decade, they deviated by as much as 15%. This difference also highlights the gap between monetarist and economist countries. \textit{European Monetary Integration}, p. 32.

\textsuperscript{73} Moravcsik, p. 242.
political leaders were willing to transfer meaningful authority to an untried supranational body.

Third, the Werner plan could not avoid a fundamental contradiction in its purpose: replace Bretton Woods yet still rely on the core currency of this failed system. For example, in the absence of a homegrown reserve currency, the plan proposed measuring currency fluctuation limits between EC countries with dollar comparisons. Clearly, this approach assumed the continued global role of the dollar. In any case, the German Bundesbank was opposed to curtailing its independence and importing further inflation by signing onto a Bretton Woods successor that was still based on the wayward dollar or even a loose European currency group. Though not a national government, it still played an important role in deciding German economic policy.  

Finally, the Werner plan required a relatively convergent rate of inflation within the EC. If this was clearly not the case in 1971, it was certainly impossible after the impact of the first oil crisis in 1973. As individual countries increased public spending to revive the economy, inflation rates ballooned throughout the EC and monetary policy coordination took a distant back seat. Despite the Werner plan’s failure as an instant remedy to the economic ailments of the Community in the early 1970s, which undoubtedly contributed to its reputation as yet another dust-collecting dossier, it is inaccurate to claim that the plan had no further impact on economic developments within the EC. In many ways, the plan played an important role in exposing deeper causes of

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74 “Especially in regard to its external monetary flank, the Bundesbank felt a tremendous burden lifted with the disintegration of Bretton Woods.” Loedel, Deutsche Mark Politics, p. 58.
75 Among the six Member States in 1971, annual inflation rates varied by a mere 3.2%, from 4.7% (Belgium) to 7.9% (Netherlands). By 1974, this spread had increased among the now nine members to 13.9%, from 7.5% (Germany) to 21.4% (Italy). Source: Nigel M. Healey, The Economics of the New Europe, table A6.
inertia within the member states that needed to be addressed before EMU could become a reality.

In late 1971, under the Smithsonian Agreement, a post-Bretton Woods international monetary agreement among Western currencies, margins of fluctuation around the dollar were increased to 2.25% (4.5% maximum movement) for EC currencies. In response, the EC readjusted its internal margins of fluctuation and defined the mechanisms involved in currency intervention. European currencies would respect the new Smithsonian bandwidth of 2.25%, named the ‘tunnel’ but would introduce their own smaller, internal, bandwidth between EC currencies, called the ‘snake’. Under this central bank agreement, called the Basle Agreement, fluctuations within the snake could never exceed the outer limits of the tunnel. Initially, all of this interaction would take place only between the two Member state central banks concerned, backed up by a Community short-term credit facility. The Agreement also clarified that marginal intervention in relation to dollar parity would take place in dollars while intervention among EC currencies would take place in Community currencies.\(^\text{76}\)

In practice, this system provided a useful indirect benefit for future cooperation by opening new, dedicated channels of communication among central banks and reinforcing working relationships among experts within a limited number of countries. At first, all EC member states joined the so-called ‘snake’ system, including the three new members due to join in 1973. Despite this seemingly positive step towards EMU, no member was obliged to coordinate monetary or fiscal policies beyond what was already

\(^{76}\) Apel, *European Monetary Integration*, p. 37.
agreed. Although this initiative represented a step forward in Community cooperation, crucially, it was framed more as a response to an external threat than as a step towards EMU and it did not include any of the convergence recommendations contained in the report that might ensure a coordinated and long-term solution.

In sum, the snake became less of a stepping-stone to EMU than a response to cope with short-term instability in a new environment of floating currencies. Unsurprisingly, within a year, the snake suffered its first crisis of many as financial speculation against Sterling forced the United Kingdom and Ireland to leave. In response, in April 1973, the EC set up the EMCF as per the Werner report and officially ‘reaffirmed the resolve of the member states of the enlarged Community to move irrevocably’ towards EMU. Though this seemed to confirm the movement of the Community towards EMU, the EMCF never actually functioned or employed a single person since its board members, governors of EC national central banks, resented being answerable to national ministers of finance and already did most of their meaningful work within the CCBG. In practice, the EMCF was principally responsible for ‘the cooperation necessary to facilitate the gradual narrowing of the margins of fluctuation of the Community currencies against each other’, a far cry from the proto-European central bank proposed in the Werner Report.

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77 Ungerer, p. 125.
78 Sterling and the Punt were forced to leave in June 1972, one month after their entry.
80 According to Harold James, “The EMCF began with very high ambitions, but in practice remained a rather subsidiary and shadowy institution…” Making the European Monetary Union, p. 14.
81 Apel, European Monetary Integration, p. 40.
In the end, the life of the ‘tunnel’ proved quite short. In March, 1973, following the second major dollar devaluation of the previous month, the Six allowed their currencies to float freely as a bloc against the dollar while maintaining their own internal ‘snake’ relationship. By mid 1973, only six member states participated in the snake and France withdrew twice before 1975. In all, during the seven years of its existence, there were a total of nine currency realignments. The snake also bore the brunt of divergent national political responses to the oil crisis of 1973 as countries pursued either inflationary or deflationary responses.

With even the loose arrangement of the snake finding survival challenging in 1973, the more ambitious project of EMU by 1980 soon dropped off the official radar screen. As early as December, 1973, the Council was unable to adopt a resolution on the transition to Stage Two of the ten-year timetable. Neither the economic consensus nor the political will remained at that point to advance the project beyond Stage One.

Nonetheless, the goal of EMU was never officially abandoned. Instead, as of 1974, the Council tried to salvage what it could by adopting a more conservative goal of converging macroeconomic policies between member states. Even in this limited context, the challenges were significant. In 1975 alone, consumer prices rose by 6.5% in Germany and 18% in Italy, hardly the kind of uniformity that breeds confidence in monetary convergence. By 1976, only the Deutschmark and the currencies of Holland, Luxembourg, Denmark and Belgium remained within the snake. By 1976, the situation proved so exasperating that a study group appointed by the Commission to appraise progress towards EMU concluded that ‘Europe is no nearer to EMU than in 1969. In fact

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82 Ungerer, p. 130.
if there has been any movement it has been backwards….national economic and monetary policies have never in 25 years been more discordant, more divergent, than they are today.'

According to the group’s president, Robert Marjolin, ‘..the chief reason for the failure of the venture to create an economic and monetary union was the absence of any real understanding of what was involved.’ In his biography, Werner laments that ‘Far from converging, member state economies were, in a general sense, developing in different directions, despite the already well-advanced interpenetration of the markets.’

Between 1973 and 1978 national solutions to rampant inflation and unemployment made little headway in Europe. During this period, the average annual change in GDP within the EC fell from + 6.9% to + 3.2% and unemployment climbed from 2.6% to 5.3%. By the late 1970s, in the face of unilateral failure, member states were again willing to consider a Community solution to an international problem. In returning to the EC drawing board, they would consider lessons from the snake’s experience and embark on a less ambitious currency alignment. The re-emergence of the EC as a potential vehicle for recovery did not result from a federalist epiphany among the political elite. In reality, much like in 1969, international and domestic pressures and priorities combined to place the Community option back on the table.

1979-1989: Back to the Future

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85 Pierre Werner, Itinéraires, p. 152.
86 Nigel M. Healey, The Economics of the New Europe, Tables a1 & A4.
Though the European Monetary System (EMS), the next major step towards monetary cooperation, was born in 1979, its seeds were sewn several years earlier. In particular, France made a significant domestic economic decision as early as 1974 that ensured its shift from the monetarist camp to the German-led economist on the achievement of EMU. In that year, the internal government battle in France between supporters of a strong and a weak currency turned in favor of a strong currency with the election of Valerie Giscard d’Estaing to the presidency. Determined to reverse the spiral of depreciation and inflation that plagued French experience within the snake and to limit the negative impact of rising capital mobility on French reserves, Giscard saw an opportunity to use the EC as an external source to impose the austerity required in France to achieve his goal.\textsuperscript{87} Once the Franco-German axis of the Community converged in their approach to EMU, a more stable plan became realistic in the long-run. However, the short-term still posed plenty of problems. In March 1976, France was forced to leave the snake for the third time, leaving just a rump grouping of the Deutschemark, Benelux and some Scandinavian currencies. The snake survived but remained plagued by diverging national economic priorities. In the words of a leading European banker of the time, ‘Europe lacked the courage to face the fact that inadequacy of economic convergence was at the heart of the monetary tensions.’\textsuperscript{88}

Following legislative election success in 1978, president Giscard’s government received a valuable chance to pursue stricter economic policies that would narrow

\textsuperscript{87} According to Bartolini, “More precisely, the setting of a core economic constitution as an external constraint was a way by which to externalize the political costs of economic rationalization.” Stefano Bartolini, \textit{Restructuring Europe}, p. 247. See also Moravcsik p. 287, Thygesen, p. 3.

\textsuperscript{88} Jurgen Ponto, Director of Dresdner Bank, quoted in Wim F.V. Vanthoor, \textit{European Monetary Union Since 1848: A Political and Historical Analysis} (Brookfield: Edward Elgar, 1996) p. 88.
differences with the German economic model of low inflation and a strong currency. Though potentially unpopular with voters, this shift would attach less direct blame to the French government if it could be characterized as a move imposed as part of a wider European project.

In West Germany, Chancellor Schmidt, who replaced Willie Brandt in 1974, also began to see the EC as a means of controlling the inevitable upward pressure on the Deutschemark each time the floating dollar dropped in the markets and investors sought refuge in the secure Deutschemark. Unappreciative of the Carter Administration’s efforts to keep the dollar value low and to force other countries to stimulate their economies, Schmidt saw European monetary cooperation as a way of stabilizing Germany’s export markets and sharing the trade burden of dollar depreciation. A common monetary system within the EC would also permit the Community to exert more meaningful influence, commensurate with its size, on the world stage.

Once 1977 witnessed a significant weakening of the dollar, and added pressure on the Deutschemark, the German government was encouraged to take a chance on enhanced Community cooperation in the monetary field.89 As Pierre Werner commented in his biography on the return of the monetary issue to the Community agenda, ‘Undoubtedly, it was this feeling of frustration and the acknowledgement of the failure of certain economic theories that provoked a reawakening of interest.’90

This convergence of interest between the all-important Franco-German axis on a workable monetary system within the EC and the temporary shift in French economic

89 Thygesen p. 36-37.
priorities offered a significant window of opportunity for initiatives discussed in the Werner plan to resurface in a more fertile environment.

Interestingly, Thygesen highlights another event that occurred in 1975 that has gone relatively unnoticed. That year saw the introduction of a basket European unit of account (EUA) for limited accounting purposes. Later, during EMS negotiations, this device was adopted as an official monetary unit for settlement among central banks and became a common denominator for Community currencies. At this point, it was renamed the European Currency Unit (ECU). Though initially created with a limited purpose, the EUA later helped facilitate currency convertibility and the familiarized the market with the concept of a homegrown parallel currency for the EC, helping overcome one of the weaknesses of the dollar-reliant snake system. It also figures prominently in the 1989 Delors Report.

The build up to the creation of the EMS was guided by painful lessons learned from the Werner plan and the snake system. Even before the Giscard-Schmidt initiative re-launched the debate on EMS at the Bremen summit in July 1978, the Commission had proposed its own interpretation of the new departure. In 1978, the new Commission president, Roy Jenkins, a former British minister, had identified monetary cooperation as one of the few initiatives likely to rekindle the stuttering integration process. In his proposal, though less ambitious than the Werner plan, Jenkins still supported the plan’s idea of a larger Community budget, some transfer of authority and, ultimately, a common currency. However, since the Giscard-Schmidt plan was principally motivated by

92 The core of Jenkins’ plan was elaborated at a speech delivered at the University of Firenze on 27 October, 1977. EC Bulletin, No. 10-1977.
political interests in both France and Germany, it had a better chance of survival.

Ironically, in many respects, this plan was more radical than that of the Commission, proposing intervention obligations on member states and a successor to the EMCF.

The final format of the EMS was officially described as ‘a zone of monetary stability in Europe’. At the centre of the system was the Exchange Rate Mechanism (ERM) and the ECU, which served as the denominator, divergence indicator and means of settlement. Each currency was set an ECU-related central rate and changes could occur after mutual consent. Open to all Member states, EMS membership was also offered to non-EC countries. All participants agreed to deposit 20% of their national gold and dollar reserves in the EMCF, which would be replaced by a European Monetary Fund within two years of the EMS entering into effect.

In contrast to the Werner plan, there is no official mention of a final goal of EMU or of the specific measures designed to get there, such as gradual narrowing of fluctuation margins. Moreover, EMS did not include a centralized budgetary policy, a larger EC budget or an automatic transfer mechanism to weaker countries. With only a modest ambition, and no obligation to lock currency parities, such comprehensive measures were considered unnecessary. Thanks to protracted bargaining over the abolition of MCAs, the official introduction of the EMS was delayed until March 1979, instead of the planned January 1979.

Despite the step taken towards currency stability through the EMS, the fundamental problems addressed by the Werner plan still remained unresolved and would

93 The Bremen European Council meeting, final communiqué, 7 July 1978 outlines the broad lines of the EMS.
plague the project long into the future. First, while the EMS attempted to promote a stable currency zone, it did not confront the significant issues highlighted by Werner: divergent inflation rates and interest rates, ineffective national policies and rising capital mobility. From the German side at least, the Bundesbank consistently butted heads with the Schmidt government over the danger of being dragged into an *Inflationsgemeinschaft* by its partners. Fundamentally, the EMS limited itself to common monetary measures for the sake of currency stability in an unstable world. Unlike Werner, EMS did not link monetary policy with broader economic policies and political union. Such steps were still unacceptable to national governments in the late 1970s. However, meaningful currency stability would remain elusive without common action on these broader issues.

According to Moravcsik’s analysis, in the area of macroeconomic management, the inconsistent trio of national monetary sovereignty, fixed exchange rates and capital mobility cannot be controlled simultaneously by national governments. For an effective monetary policy to operate within the EC, one of these elements has to give. In his view, the experience of the snake and EMS eventually convinced EC governments that national monetary sovereignty was worth sacrificing for the sake of fixed exchange rates and protection against capital mobility.\(^{95}\)

According to Yergin, accelerated international capital flows of the late 1970s had already spelled the end of effective national monetary sovereignty as ‘Nations’ economic managers become parochial when the market becomes universal’.\(^{96}\)

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\(^{95}\) Moravcsik, p. 285.

\(^{96}\) Yergin, p. 137.
flexibility was to prove useful, EMS lacked a clear final goal. For all its misplaced optimism, the Werner plan did offer an end goal and clarified initial steps to get there.

Third, without a binding promise on behalf of all member states to converge economic policies towards an agreed end goal, there was no self-interest for a member state to follow responsible economic policies that might reduce market speculation. For example, while an about-face by France had allowed the creation of the EMS, nothing prevented a new national government from returning to its old habits. This weakness was borne out when, in 1981, the newly elected Socialist president of France, Francois Mitterrand, announced that France would embark on an autarkic economic policy to instigate a socialist solution to rampant inflation and unemployment. Even before the election, the French franc was devalued within the ERM in anticipation of the change of policy. After a brief experiment with a stronger currency, France was returning to its traditional policy of a weak franc and a national solution.

Despite its weaknesses, the EMS remained the principle vehicle of EC monetary cooperation into the early 1980s. In this regard, Middlemas claims that ‘For roughly four years, the ERM acted as an external, neutral arbiter, which suited not only governments but industrial and financial interests, because it disciplined inflation and wages and also helped to wean governments away from what these players saw as endemic overspending in pursuit of electoral support.’ Nonetheless, it encountered its share of crises as realignments occurred on a regular basis and, in common with the snake, the EMS faced the fallout from an international oil crisis soon after its creation. The resulting impact on

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97 By Mitterrand’s election, in October 1981, French unemployment had risen to 7.3% and inflation to 13%. Nigel M. Healey, The Economics of the New Europe, tables A1 & A6.
inflation rates and unemployment in national economies challenged the seriousness of EMS resolve. As member states pursued their own national responses to this crisis, the limitations of monetary cooperation became apparent as the member state currencies continued to diverge along the traditional lines of strong and weak currencies. However, an important turning point occurred in 1983 and again involved France.

Having defeated Giscard on the platform of a radical return to state-generated economic stimulation, President Mitterrand wasted no time in implementing his plan. As the incumbent, Giscard was associated with the high unemployment and rising inflation rampant all over Europe at the time and his policy of a strong currency at the expense of domestic spending did not escape blame. However, Mitterrand’s socialist experiment also failed to reboot the failing French economy and only exacerbated inflation, capital flight and unemployment. Finally, in 1983, when faced with the option of leaving the EMS for the sake of the national experiment or staying and abandoning the experiment, France decided to stay and perform an economic u-turn that involved the pursuit of a strong currency, greater productivity and significant investment in the EMS and EC projects.

France turning its back on national solutions to international problems marked an important turning point in the history of the EMS and EMU as it hitched its monetary policy to the EMS and became more open to the transfer of economic authority to the Community. Throughout this episode, one of the main architects of the turn around was the French minister of finance, Jacques Delors.

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99 Inflation in France ran at 11.5% in 1983, compared to 4.9% in Germany, a dedicated hard currency economy. Healey, *The Economics of the New Europe*, table A6Yergin, p. 312.
The French u-turn on economic policy was just one of several events in the 1980s that opened a new window of opportunity for the EC integration process to move forward in a meaningful manner. First, in 1984, the Council finally cobbled together a solution to satisfy British demands on a fair return from the Community budget. This issue had helped paralyze any prospects of progress in economic or political cooperation since the 1970s. Second, general economic performance within the Community and globally had recovered from the recession of the early 1980s and new avenues of market integration were being explored with general enthusiasm for the first time in many years.

Third, in 1985, the Commission’s new president was none other than Jacques Delors, a savvy political leader determined to return the Commission to centre stage and direct a new era in economic and political integration within the EC. One of the results of this convergence of opportunity was the Single European Act of 1986 (SEA), the first real revision of the Treaty of Rome. This act contained the agreement to create the Single Market by 1992, where non-trade barriers (NTBs), long blamed for limiting economic development within the Community, were to be removed and new mobility rights for people, capital and goods were established. In 1988, amid fears that the EMS might prove an insufficient framework for such an ambitious project, especially when capital flows became liberalized, Delors was charged by the Council with organizing a committee and compiling a report on the steps required to achieve EMU within the Community.

By 1988, inflation concerns and divergences in national economic policies had been reduced to a point where France was able to propose steps towards greater monetary integration and Germany’s political leaders were willing to listen. Between 1983 and
1987, the ERM had mainly become a Deutschemark zone, promoting low inflation and currency stability. Whether by design or accident, it had also witnessed a return to economic growth within Europe and ‘the gains appeared, at the time of rapid growth, to justify the sacrifices in output and employment that accompanied it.’

The Delors Report

With the prospect of increased market integration and free movement of capital within the Community after 1992, as outlined in the SEA, concerns grew after 1987 that under-coordinated monetary policy among member states would fail to meet the challenges of the new era. As a result, the Hannover meeting of European leaders in June 1988 asked president Delors to convene a committee to propose a realistic timetable for the realization of EMU.

The Delors report on economic and monetary union in the European Community was compiled by this ‘Committee of Experts for the management of Economic & Monetary Union’, which consisted of all EC central bank governors, two EC Commissioners and three independent financial experts. In contrast, the Werner committee had featured fewer central bankers and more government officials. Determined to produce a realistic document that had to be politically viable, the Delors committee was bound to produce a more mediated proposal that satisfied both economist and monetarist interests.

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100 Keith Middlemas, Orchestrating Europe, p. 170.
102 “The Delors Committee could not have produced the blueprint for Maastricht and for monetary union if it had not been preeminently a committee of central bankers.” Harold James, Making the European Monetary Union, p. 15.
The opening chapter of the report summarizes the developments of the 1970s, from the Hague summit, through the Werner report and the snake but acknowledges that, ‘…by the mid-1970s the process of integration had lost momentum under the pressure of divergent policy responses to the economic shocks of the period.’ While recognizing the success of EMS in maintaining currency stability, the report claims that the EMS has failed to fulfill its potential due to limited membership of member states, failure to replace the EMCF with a European Monetary Fund (EMF) and a ‘lack of sufficient convergence of fiscal policies’. Surprisingly, the report highlights the fact that while the ECU has achieved only moderate success in its intended role in the operating mechanism of the EMS, it has become popular in the marketplace, where it ranks fifth in international bond issues and offers portfolio diversification and a hedge against currency risks.

In section three, the report outlines the changes introduced via the SEA in 1986. These include the removal of NTBs, expanded use of qualified majority voting in the Council, greater European Parliament legislative powers and a reaffirmation of the need to strengthen the Community’s monetary capacity in view of the achievement of EMU. The final two points also played a prominent role in the Werner Report. In addition, it promotes cooperation between social partners, environmental protection and liberalized capital movement. Again, all of these points were highlighted 19 years earlier in the Werner Report.

104 Delors Report, p. 3.
In section three of the first chapter, the report discusses the problems to be tackled before the Single Market can actually function. In this context, it calls for ‘greater convergence of economic performance’ and warns that ‘With full freedom of capital movements and integrated financial markets incompatible national policies would quickly translate into exchange rate tensions and put an increasing and undue burden on monetary policy.’\footnote{Ibid, p. 3.} Further, ‘As capital movements are liberalized and as the internal market programme is implemented, each country will be less and less shielded from developments elsewhere in the Community.’ This passage in particular echoes the warning of the Werner Report, which stated that ‘These developments, [speculative capital movements] some of which have positive aspects, help nonetheless to make still more difficult the control of economic development by member states.’\footnote{Werner report, p. 3.}

Chapter two of the Delors Report deals with the general requirements of a move towards EMU. In acknowledging the inadequacy of the existing treaties, the report states that EMU ‘would call for new arrangements which could only be established on the basis of a treaty change and consequent changes in national legislation.’ In particular, monetary union ‘would require a single monetary policy and responsibility for the formulation of this policy would consequently have to be vested in one decision-making body.’\footnote{Delors Report, p. 6.} In any case, according to the report, the liberalization of capital markets, included in the Single Market project for 1992 but not even seriously advanced in 1970, would quickly render independent national monetary policies obsolete as national
jurisdiction of specific central banks would mean nothing if all national governments applied the same monetary policy.

In contrast to monetary policy, economic policy could still be conducted by national governments but would have to be placed ‘within an agreed macroeconomic framework and be subject to binding procedures and rules.’ According to the report, the solution to the conflict between national and Community responsibilities would be adherence to the ‘principle of subsidiarity’, where all decisions and political functions are executed at the lowest possible level. This section of the Delors Report attempts to tackle one of the core difficulties of the Werner Report: convincing national governments of the merits of a central economic and monetary authority. By using the principle of subsidiarity, a sound theory but a difficult practice, Delors introduces a compromise increasingly used during the 1980s but not yet practiced in 1970. Undoubtedly, such a compromise in the Werner Report might have made its message less shocking to member state governments.

In section two of the second chapter, the Delors Report specifically quotes the Werner Report in describing the conditions required for monetary union. It reads ‘As already stated in the Werner Report of 1970, there are three necessary conditions for a monetary union.’ These include the total and irreversible convertibility of currencies, the complete liberalization of capital transactions and the eventual locking of exchange rate parities. On the thorny topic of the preference for a single currency over multiple locked currencies, both reports offer similar opinions:

‘It may be accompanied by the maintenance of national monetary symbols, but considerations of a psychological and political order militate in favour of the
adoption of a single currency which would guarantee the irreversibility of the undertaking.

‘The adoption of a single currency, while not strictly necessary for the creation of a monetary union, might be seen — for economic as well as psychological and political reasons — as a natural and desirable further development of the monetary union….. The replacement of national currencies by a single currency should therefore take place as soon as possible after the locking of parities.’

In reference to the proposed economic union, the Delors Report follows the same line of thought as Werner in stating that it goes hand in hand with a monetary union, budgetary cooperation and financial transfers to less developed regions. Both reports predicted difficulties in less developed regions within an economic and monetary union when national governments were no longer allowed to independently alter exchange rates. Such fears have helped increase the bargaining power of poorer member states and the importance of regional policy within the EC over the years.

In the budgetary field, Delors again tries to allay national government fears by emphasizing the power that member states would still retain in setting national budgetary policy even in the final stage of EMU. These fears were nothing new in 1989, as governments had also reacted unfavorably to the Werner report’s suggestion of a central budgetary policy in 1970. In 1989, this paragraph is qualified by the statement ‘However, an economic and monetary union could only operate on the basis of mutually consistent and sound behaviour by governments and other economic agents in all member countries.’

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108 Werner Report, p. 20.
Section four of the Delors Report turns to institutional changes. If EMU is to succeed, the report recommends the creation of a new ‘European System of Central Banks’ (ESCB) to control Community monetary policy. The ESCB would be committed to price stability, which represented a victory for the economist view within the Community, and would report to the Council and the European Parliament.

However, it would remain independent of any national government or Community institution, effectively enjoying ‘a comparable status’ to the Council and Commission. In 1970, Werner proposed a similar organ to oversee monetary policy but member states were unwilling to contemplate such concessions of power. In Delors’ favor, the Community of his time still had a painful collective memory of recessions and oil crises where divergent national policies only exacerbated inflation and unemployment problems. Moreover, Delors’ proposal to raise the Parliament’s profile in the new project, also a Werner idea, stood a more realistic chance of success in the 1980s when it was now directly elected and had already increased its overall role under the SEA. Interestingly, learning from the Werner experience, Delors does not apply the same emphasis to centralization of economic policy, stating simply that the existing institutions would suffice.

‘In the economic field, in contrast to the monetary field, an institutional framework for performing policy tasks was already established under the Treaty of Rome, with different and complementary functions conferred on the European Parliament, the Council of Ministers, the Monetary Committee, the Commission and the Court of Justice.’

111 Chapter three of the Delors Report deals with the steps towards EMU. Taking a leaf out of the Werner Report, Delors discusses a three-stage approach with a few

111 Delors Report, p. 15.
alterations. As with Werner, Delors makes clear that embarking on the first stage implicitly means accepting the whole project, ‘…the decision to enter upon the first stage should be a decision to embark on the entire process.’\textsuperscript{112} This common mechanism to both reports, which offers a parallel development of national policy convergence and centralized institutions, attempts to find a compromise between the economist and monetary schools of thought. Unlike Werner, the Delors Report does not commit itself to a calendar for the three stages towards EMU. Learning from the Werner experience, it merely states that, ‘The conditions for moving from stage to stage cannot be defined precisely in advance.’ By setting a definite final target date of 1980, the Werner plan placed itself under pressure when economic and political obstacles slowed down the expected pace of progress. Besides naming the preferred start date of stage one, Delors remained vague on a precise timetable in an effort not to repeat Werner’s mistake.

In 1970, the six member states of the EC had become accustomed to negotiating and implementing most common measures of economic integration as a single unit. Consequently, the Werner plan presented its recommendations in such a context. This remained the case until the creation of the EMS, when countries were allowed to enter and leave or exceptionally wide currency fluctuation bands were made for specific countries, like Italy. Although the Delors Report recommends that all member states join EMU eventually, it applies the flexibility of the EMS by leaving entry dates open according to each country’s situation. ‘There is one Community, but not all the members have participated fully in all its aspects from the outset.’\textsuperscript{113}

\begin{footnotesize}
\textsuperscript{112} Delors Report, p. 18.
\textsuperscript{113} Delors Report, p. 19.
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As in the Werner Report, the Delors Report offers few specific details on how economic and monetary policy would transition during stage two. However, it does insist that the ESCB take increased control of Community monetary policy before currencies become irrevocably locked and a single currency is introduced in stage three. In its final paragraphs, the Delors Report admits that the implementation of EMU would require amendments to the Treaty of Rome and that, ‘Political agreement would be required for each move to be implemented.’ On this issue, both reports are in agreement that EMU cannot occur without political cooperation and a degree of political union, a weakness that was destined to blight EMU throughout its existence.

‘These transfers of responsibility represent a process of fundamental political significance which implies the progressive development of political cooperation.’

‘The process of integration based on a step-by-step approach requires, however, a clear understanding of its content and final objective, its basic functional and institutional arrangements and the provisions governing its gradual implementation. ‘A new political and legal basis would accordingly be needed.’

**Conclusion**

‘When the Delors Report finally appeared in April 1989 it confirmed our worst fears. From the beginning there had been discussion of a 'three-stage' approach, which might at least have allowed us to slow the pace and refuse to 'advance' further than the first or second stage. But the report now insisted that by embarking on the first stage the Community committed itself irrevocably to the eventual achievement of full economic and monetary union. There was a requirement for a new treaty and for work on it to start immediately. There was also plenty of material in the treaty about regional and social policy – costly,

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114 Werner Report, p. 6.
115 Delors Report, p. 28.
Delorsian socialism on a continental scale. None of these was acceptable to me.\(^{116}\)

‘The monetary union as conceived in the Maastricht Treaty was intended to be accompanied by a political union. The fact that the broader political framework was not realized produced two fundamental flaws: the mechanisms for enforcing fiscal discipline were inadequate, and there was no Europe-wide banking supervision and regulation.’\(^{117}\)

There is no doubt that the Delors Report of 1989 represents one of the key historical documents on the road to EMU. It also embodies the historical tug of war between the traditional political priorities of solidarity and bargaining within a larger context on one side and the technocratic demands for economic discipline and sound management on the other.

Published a few years after the passage of the SEA and while the race to complete the Single Market by 1992 was in full swing, it benefited from the short window of political enthusiasm for increased economic and monetary integration that opened during the mid 1980s. However, this conducive environment only partially explains the success of the report in moving the EC towards EMU and the single currency. It also benefited from a long track record in monetary integration within the Community.

By considering the overall blueprint of the path to EMU embodied in the Werner Report of 1970, including its most ambitious proposals, and its subsequent reception, there is no doubt that Delors gained valuable evidence of which elements of EMU preparation stood the best chance of passing into reality in the lead up to the 1992 project. Though products of different times, both documents share a range of common


\(^{117}\) Harold James, *Making the European Monetary Union*, p. 16.
recommendations and commentaries. However, it is their differences that perhaps teach us the most.

In 1970, Werner had yet to witness how the combination of rising inflation and contracting economic production drove member states to follow divergent paths to recovery that threatened the very cohesion of the Community. Consequently, his plan could still conceive of the Six agreeing to a convergence of economic policies focused on a centralized institution. In contrast, by 1989, Delors could not ignore strong memories of inflation-fuelled economic fragmentation from the 1970s and early 1980s, so he chose to play down such ambitious supranationalism. Equally, Delors learned from the failure of Werner’s naïve goal of a strong supervisory role for the European Parliament over centralized economic and monetary authority. In 1989, such misplaced ambition was replaced by a more realistic reliance on intergovernmental cooperation.

Even though Delors learned a lot from Werner’s mistakes and adjusted the design of EMU accordingly, they both failed to overcome an issue that still haunts the Euro project to this day. Fundamentally, as most national currency systems will confirm, a healthy single currency zone requires a centralized monetary and a centralized economic authority that work in tandem to fulfill different but essential roles. These roles are usually provided by a national central bank and a national government respectively, the latter of which is usually democratically accountable and the embodiment of political legitimacy. In a world of massive capital market transactions and currency speculation, perceived indecision within an economic authority can prove fatal. Based on

118 According to Tommaso Padoa-Schioppa, the Italian economist, “Neither the US Fed nor any other central bank in the world is, like the Eurosystem, confronted with the challenge of not being the expression of a political union. This is indeed a challenge because normally the soundness of a currency does not rest exclusively on the central bank.” Quoted in Harold James, Making the European Monetary Union, p. 8.
the EU’s fragmented center of economic authority, effectively 17 Eurozone member states acting without enforceable fiscal or economic discipline for the common cause, this uncoordinated half of the monetary-economic tandem has always been its Achilles heel.

While the creation of a Community monetary authority eventually occurred, the ECB, the lack of an equivalent and effective ‘centre of decision for economic policy’ sentenced EMU to a life of disequilibrium and ad-hoc adjustments. In truth, both reports clearly predicted the issue and offered the same solution when they insisted that a successful EMU required some form of political union among Member states in order to grant a single economic policy authority the required power to operate a single currency zone.

In the case of the EC, such a definitive and large-scale transfer of political sovereignty from member states to central institutions as part of a political union was always sensitive and therefore highly unlikely. In hindsight, mechanisms that were initially included in both the snake and the EMS as necessary measures to ensure short-term political agreement, including weak penalties for lack of economic convergence or options for currency devaluations among Member states, eventually became liabilities when similar requirements were included in the rules governing full monetary union. Seen as positive signs of flexibility initially, these mechanisms were in fact short-term political solutions that avoided the implementation of long-term and economically sound foundations for the EMU format eventually adopted.\(^{119}\) Unfortunately, these deficiencies

\(^{119}\) Even after 1992, political fudging often overruled economic sense. “In the original Maastricht Treaty, convergence criteria were set out that specified a limit for government deficits at 3 percent of GDP and for public-sector debt levels at 60 percent…..the entering debt level of Belgium was still 130 percent in 1997, and it was unthinkable that the project should go ahead without Belgium.” Harold James, *Making the European Monetary Union*, p. 17.
have exposed the Eurozone as an imbalanced economic and monetary union trying to
survive in an advanced and highly integrated global financial environment.

In the end, Mrs. Thatcher’s instinct was perhaps correct when she stated that the
proposed EMU of 1989 was unworkable. However, in contrast to her assumption that it
was too ambitious, maybe its weakness was that it did not prove ambitious enough to
create a robust and reliable monetary union.
Chapter 3:  
The Quest for a Common EU Foreign Policy  

Introduction  

‘A common foreign and security policy is hereby established which shall be governed by the following provisions…establishing systematic cooperation between Member States in the conduct of policy, gradually implementing….joint action in the areas in which the Member States have important interests in common.’

Under the 1992 Treaty on European Union (TEU), the 15 Member States of the former European Community agreed to a degree of economic, political and social integration surpassing any comparable arrangement among modern sovereign states. Within the ambit of the new entity created by the Treaty, called the European Union (EU), several ground-breaking economic and political initiatives were launched. These included the final stages of monetary union, the introduction of European citizenship and the creation of a common foreign and security policy (CFSP).

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2 Commonly known as the ‘Maastricht Treaty’, the TEU was signed by Member States on 7 February, 1992 in Maastricht, The Netherlands, and entered into effect on 1 November 1993. The EU consists of three pillars: the European Communities, Common Foreign & Security Policy (CFSP) and Justice & Home Affairs (JHA). While the EC functions under the traditional hybrid form of international and supranational governance, the CFSP and JHA pillars remain intergovernmental. “Treaty of Maastricht on European Union”, Europa website (14 March 2013).
3 Within the TEU, Title II covers EC treaty amendments, Title V introduces provisions covering CFSP and Title VI contains provisions on JHA. “Treaty of Maastricht on European Union”, Europa website (14 March 2013).
Under Title V of the TEU, the formulation and implementation of CFSP is outlined, including what body represents it internationally and how it is implemented by the EU. In terms of policy formulation, the common foreign policy decisions are built on formal political cooperation among the member state leaders within the European Council, ensuring that the EU presents a common political voice on the international stage.\textsuperscript{4} Crucially, the European Commission and Parliament remain relatively peripheral to the Council’s decision and implementation process.\textsuperscript{5} Though intergovernmental in nature, the degree of foreign policy cooperation among member states that is required within CFSP was and still remains unparalleled within the modern political context.

Within such a complex and multi-layered organization as the EU, the nomination of a single body to voice EU foreign policy presents particular issues. However, the Treaty stipulates that the designated Community representative of CFSP on the international stage is the member state carrying the rotating presidency of the Council.\textsuperscript{6} This effectively means that a new member state represents the EU in global affairs every six months. Finally, in terms of implementation, the Treaty indicates that ‘The diplomatic and consular missions of the member states and the Commission Delegations

\textsuperscript{4} “Member States shall ensure that their national policies conform to the common position. Member States shall coordinate their actions in international organizations and at international conferences.” “Treaty of Maastricht on European Union”, Title V, Article J2 (2), Europa website (14 March 2013).


\textsuperscript{6} “The Presidency shall represent the Union in matters coming within the CFSP.” Title V, Article J5, “Treaty of Maastricht on European Union”, Europa website (14 March 2013).
in third countries….shall cooperate in ensuring that the common positions and common measures adopted by the Council are complied with and implemented.\(^7\)

Although foreign policy cooperation became an official pillar of the EU in 1992, it was not always on the Community agenda and emerged from a long and controversial historical process dating back to the 1950s. In practice, it represents perhaps the single most challenging area of integration undertaken by the member states since 1958. In a continent renowned for its diverse and often violently incompatible national foreign policies, the creation of a coherent approach on the world stage was indeed remarkable.

In this chapter, I will trace the growth of foreign policy cooperation from the initial phase of controversy and total exclusion to its formal enshrining in Community treaties. In many ways, the final characteristics of the CFSP that is included in the TEU and the division of institutional responsibilities for it reflect a much broader story of political and institutional conflict, the persistence of historical resentments and short-term responses to major international crises. The gradual development of CFSP cannot be understood fully without an analysis of the historical interplay between internal Community changes in priority and external political and economic pressures.

**Background**

Following the Second World War, the Western Alliance between the United States and Western Europe that had been forged during the conflict remained relatively intact, if one-sided. As the Cold War emerged from the rubble of 1945, the relationship

\(^7\) Title V, Article J6, “Treaty of Maastricht on European Union”, Europa website (14 March 2013).
was not difficult to understand: a dominant global superpower embraced the economic and political rehabilitation of a ravaged continent that bordered its new ideological nemesis. For Western Europe, the relationship was equally understandable: a ruined continent bordering an unfriendly military and political superpower embraced, with varying degrees of enthusiasm, the economic and military benevolence of a more sympathetic global superpower.

While the USSR lagged behind the Americans in nuclear technology and arsenal, the Europeans became accustomed to American protection and presumed that the American nuclear deterrent would continue to provide a low-cost security shield behind which the recovering states could prosper.8 For the Americans, the cost of the shield was high but bearable in the context of preventing Soviet expansion and fostering a democratic European recovery.9

During the initial phase of EEC construction, after 1958, the comfort of the American security umbrella granted the Community the relative luxury of focusing on shoring up the Common Market and haggling over the price of agricultural goods. Issues of security were left to NATO, a body that featured every original EEC member state and several of their neighbors but was clearly dominated by American military force. In such a context, most EEC Member States saw the idea of foreign policy cooperation among

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8 “It is not healthy that this balance should be so uneven. It is not healthy that so many educated Europeans look upon everything to do with nuclear weapons as a complicated and slightly disreputable business with which, thanks to the Americans, they need not soil their minds.” Edward Heath, Old World, New Horizons: Britain, Europe and the Atlantic Alliance (Cambridge: Harvard University Press, 1970) p. 74.
9 According to American Secretary of the Treasury Dillon in 1961, “The United States can pay some price in the form of added trade barriers to earn the political dividend of a more united Western Europe.” John Major, “President Kennedy’s ‘Grand Design’: The United States and a United Europe,” The World Today, vol. 18, no. 9, September 1962, p. 387.
the Six as an unnecessary item on the agenda of a regional bloc still content to limit its reach to purely trade issues.

However, from the late 1960s, the imminent arrival of three new member states and the increasing intertwining of international financial, economic and political challenges of the modern global reality meant that the EEC could no longer ignore foreign policy as a key component of the survival and success of its core internal market project. Paradoxically, the development of a strong internal market increasingly depended on a united Community front in international political fora. The world was changing quickly and the EEC came under pressure to define its purpose within the new world order.

During the 1960s, certain key external factors began to change and threaten the cozy, apparently one-sided, trans-Atlantic relationship. First, as the Soviet Union began to close the nuclear gap and acquired the ability to strike directly at the American homeland, the Europeans began to question American willingness to protect Europe if such a guarantee directly risked damaging the American mainland. Second, the costly American experience in Vietnam was bringing foreign military involvement and spending under close scrutiny in Washington DC and in the wider public arena. If the Europeans were recovering economically, as they clearly were by the early 1960s, why should the Americans continue to foot the bill for their security? After all, it was supposed to be an alliance, not a dependency.

Third, from the early 1960s, certain European countries had already begun to demonstrate signs of independent foreign policy initiatives, not always in tune with American priorities. As the aura of American invincibility began to suffer in the jungles
of Vietnam and in international currency markets, some European members of the Western Alliance tentatively began to follow their own initiative in foreign policy. In 1966, under the pretext of independent action, President de Gaulle withdrew the French army from the integrated chain of NATO military command. It remained a member of the organization but, given the extending reach of the American forces all over the world, France feared being dragged into future fights in which it had no perceived national interest.

Fourth, following the election of Willy Brandt as Chancellor in West Germany in 1969, his government pursued a unilateral relaxation of relations with the Soviet Union and the Eastern bloc. By engaging bilaterally with their neighbors and officially recognizing the division of Germany through Ostpolitik, the Federal Republic hoped to end decades of confrontation and mistrust between East and West. Although this policy achieved some results towards a more general process of détente in Europe, the American and French governments were concerned about German motives and did not always approve of their ally’s peacemaking initiatives.10

Finally, under the Nixon Administration, the process of détente started to change many of the ground rules of the previous 25 years in international relations. If the Soviets were open to talks with the Americans and their allies, the very glue that united the Western Alliance for so many years, namely the Soviet threat, could soften and introduce uncertainty into a seemingly certain geopolitical world. Though the relaxation of tensions between West and East was broadly welcomed, the unpredictability that took

10 “...a means to achieve German unity by building good relations with the East and turning the FRG into a magnet for Eastern Europe...We worried whether West Germany could consistently face two ways at once.” Henry Kissinger, Years of Upheaval, (Boston: Little, Brown and Co., 1982) p. 145.
its place and the suspicion of superpower deals at the expense of Europe, the ‘superpower condominium’ fear, would have consequences for the unity of the Alliance as old tensions resurfaced over ways to approach Moscow. For the Community in particular, détente challenged the low-cost and stable security status quo on which it was constructed and exposed the diverging foreign policy priorities of its member states.

In 1973, the EC grew from its original six member states to form a new Community of nine. As difficult as this process was for the original Six, the accession of Great Britain, Ireland and Denmark in 1973 only added to the complexity of the challenge. Great Britain brought a genuinely global set of interests into the Community as well as a ‘special relationship’ with the United States that was often viewed with suspicion from across the Channel. Although Ireland and Denmark represented small players in the international community, Ireland was the first officially neutral member state and Denmark maintained strong links with non-EC Scandinavian nations. Consequently, from 1973, new Community ground rules had to be worked out and additional time would be required before any kind of common identity or a genuine cooperation process could emerge.

Though this enlargement offered the EC a greater voice on the world stage, especially by incorporating Great Britain, it also further complicated the way in which external geopolitical events could be interpreted within the Community and made a common opinion more difficult to define. In this regard, it is not surprising that political cooperation within the EC experienced a particularly rough patch from the time of the first accession wave until the early 1980s, when foreign policy indirectly benefited from the more general convergence of Community priorities outlined elsewhere in this story.
The Fouchet Plan

The first serious attempt at introducing limited foreign policy cooperation among the six founding members of the EEC proved a controversial failure that caused such bitterness that the issue remained politically toxic for many years. Although the Treaty of Rome omitted traditional ‘high diplomacy’ from the EEC agenda in 1958, it was not long before this policy gap was targeted by President de Gaulle. Critical of the supranational tendencies of the Community’s Commission and Parliament, and eager to protect the sphere of foreign policy for national governments, de Gaulle decided to launch an initiative in 1960 that attempted to enact his general philosophy on the future of Europe: intergovernmental structure, independence from the United States and exclusion of supranational bodies.\textsuperscript{11} The resulting draft, officially called the Draft Treaty on European Political Union, but generally known as the Fouchet Plan,\textsuperscript{12} served two parallel purposes.

First, it explored the prospects for a united political vision among European states that reflected a broader European application of de Gaulle’s own independent vision for France in an increasingly complex world. Second, by placing the creation and elaboration of the plan firmly in the hands of sovereign states, de Gaulle sought to curtail what he

\textsuperscript{11}“European cooperation must also express itself outside of Europe with respect to the great global problems….regular consultations between interested governments should take place. This consultation mechanism could take on a sort of independent character as it gradually develops.” (my translation) From a text approved by President de Gaulle, 1958. Source: Simon J. Nuttall, \textit{European Political Cooperation} (New York: Oxford University Press, 1992) p. 38.

\textsuperscript{12}Following instructions from the Conference of Heads of State or Government, held in Bonn in July 1961, the Fouchet Committee, chaired by French diplomat, Christian Fouchet, submitted its first Draft Treaty on European Political Union in November 1961 and a revised second draft in January 1962. Both drafts were rejected by France’s partners.
perceived as the unacceptable reach of supranational institutions within the EEC at the time.

Specifically, the plan excluded British participation and envisaged regular meetings of Heads of Government and Foreign Ministers. Equally, it recommended the creation of a ‘Political Committee’ of senior Foreign Ministry officials to prepare ministerial meetings. In his opinion, the supranational ambition of the Commission, specifically the Hallstein Commission, was unwelcome and unrealistic. While the plan recognized the inevitability of a political union of the six states already economically integrated within the EEC, this union would take the form of sovereign states cooperating on political issues of common concern. Specifically, the new entity would minimize supranational influence and only accept new member states when unanimity was agreed.

‘What is France proposing to its five partners? I will repeat it yet again. To organize politically, let us begin at the beginning. Let us organize our cooperation and gather our government or state leaders together to examine our shared problems and to take decisions that will be those of Europe.’

‘Truthfully, the economic development of Europe cannot occur without its political union.’

Of course, such exclusivity would allow France, by this time endowed with a nuclear force, a dominant role within the new entity as well as the freedom to control future membership. Clearly, such restrictions had particular reference to Great Britain, which de Gaulle suspiciously viewed as an American military proxy. For other member

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14 “His plan was for a Franco-German Europe which France would have led and from which Britain would have been excluded, at least while she continued to represent, at least to Gaullist thinking, a United States
states, the plan resembled a wolf in sheep’s clothing. While it appeared to offer a form of political cooperation, it would exist outside the shared institutions of the Community and march to the beat of the Gaullist drum. When the Dutch objected to the exclusion of the British from the proposed plan and the implications such a new community might have on the integrity of NATO, the plan fell through and created lasting animosity between France and the Five, who resented Gaullist unilateralism on an extremely sensitive area.15

The Plan was officially rejected by the Council of Ministers in April 1962. Once it became clear that there was no prospect of his Benelux partners accepting the Plan, de Gaulle proceeded to agree a treaty uniquely with West Germany based on the principles of the failed Plan. However, before it passed the German parliament in 1963, the preamble was altered to ensure close links with the United States, a clear commitment to NATO and support for British entry into the EEC. In effect, what had initially been intended as a grand gesture of broad European solidarity and independence eventually dissolved into a weakened bilateral agreement. Moreover, in the short-term, the unpleasant experience of the Plan’s development created such widespread distaste for the idea of foreign policy cooperation and political union that this policy area was largely sidestepped for several years.

**President Kennedy’s ‘Grand Design’**

During the first half of the 1960s, the world witnessed the launch of potentially enormous factors of change on international trade and political relations, including the...
ongoing completion of the EEC internal market, the launch of the Kennedy Round of the general agreement on tariffs and trade (GATT), the first British application to join the EEC and the Kennedy Administration’s ‘Grand Design’ to redefine European relations. In a sense, the Grand Design represented a formal recognition by the American government of the EEC’s success in constructing a functioning and significantly large trading bloc. Fundamentally, it sought a reduction of EEC tariffs applicable to American goods at a time when the American trade balance had shifted into the red. Traditionally supportive of post-War European unity, by 1962, the Americans saw the creation of a European internal market as a broadly positive move towards European stability but had concerns about the import charges imposed on American goods.

In defining the goals of the Grand Design, former Commission vice-president Robert Marjolin explains, ‘..it aimed essentially to accelerate the movement towards unity in Europe, to enlarge the Common Market….and to create an Atlantic free trade area for a large number of products by means of drastic reduction or complete elimination of import duties on either side of the ocean.’\(^\text{16}\)

However, it also outlined a broader political motivation in anchoring the Atlantic powers together to promote global trade and influence.\(^\text{17}\) Ironically, this idea still has echoes today in the Transatlantic Trade and Investment Partnership.\(^\text{18}\) By implicitly


\(^{17}\) Kennedy’s ‘Grand Design’ was launched to counter a worrying trend of European political independence and trade differentiation towards American goods. According to the President, “We believe that a united Europe will be capable of playing a greater role in the common defence, of responding more generously to the needs of poorer nations, of joining with the United States and others in lowering trade barriers, resolving problems of currency and developing coordinated policies in all other economic, diplomatic and political areas.” The Times, 5 July, 1962, found in John Major, ‘Kennedy’s ‘Grand Design’, *The World Today*, p.389.

\(^{18}\) In February 2013, a joint statement from the EU and US leadership announced the launch of trans-Atlantic negotiations on trade and stated, “A high-standard Transatlantic Trade & Investment Partnership
recognizing the political potential of the EEC at a time when this aspect was only being discussed at an embryonic stage within the Community, the US government identified an unavoidable decision that could not be postponed indefinitely and still posed huge problems for the Community a decade later: in the context of a modern and deeply political global economy, what is the EEC’s political identity?\textsuperscript{19} This issue became all the more relevant during the Cold War era, when the largest trading bloc in the world could not indefinitely postpone the definition of its political purpose.

\textbf{The Hague Summit}

As long as de Gaulle remained in power in France, it was difficult to imagine a common foreign policy returning to the Community agenda.\textsuperscript{20} However, with his departure in 1969, and the election of President Georges Pompidou, the issue resurfaced at the pivotal summit of EC leaders held at The Hague in 1969. Adding to the potential for change, the Germans had also elected a new Chancellor, Willy Brandt, within months of the French change of guard. Both leaders wished to mark their arrival with a change of direction they were determined to present to their EC colleagues. Foreign policy

\footnotesize{would advance trade and investment liberalization...through this negotiation, the US and EU will have the opportunity...to expand trade and investment across the Atlantic...” “Statement from United States President Barack Obama, European Council President Herman Van Rompuy and European Commission President Jose Manuel Barroso”, Memo/13/94, Brussels/Washington, 13/2/2013, http://europa.eu/rapid/press-release_MEMO-13-94_en.htm (6 March 2013).

\textsuperscript{19} President Kennedy’s undersecretary of State, George Ball, identified a basic limitation of the EEC without political union, “Though the peoples of Western Europe commanded aggregate resources approaching our own, that aggregate was, in political and military terms, a meaningless statistic. Lacking a common political structure through which they could mobilize and deploy resources in response to a common will, they could play only a marginal role beyond the boundaries of their own continent.” Quoted in Marjolin, \textit{Architect of European Unity}, p. 342.

\textsuperscript{20} “...after the crisis of 1965-66 (the Luxembourg Compromise and France’s withdrawal from the military structure of NATO) no further advances could be made as long as General de Gaulle remained in power.” Simon J. Nuttall, \textit{European Political Cooperation}, p. 47.}
coordination was high on their list.\textsuperscript{21} Especially for Brandt, progress towards cooperation in the EC represented a parallel and symmetrical initiative to his \textit{Ostpolitik} efforts towards the East and provided reassurance to Germany’s Atlantic and European allies.\textsuperscript{22} The Hague summit occurred at a propitious time. The Community’s customs union had just been completed, the Common Agricultural Policy (CAP) and a Community self-funding mechanism were almost wrapped up, the enlargement issue had returned to the table and the Franco-German axis was under new, more flexible, management. With some of the major goals of the Treaty of Rome almost achieved, attention turned to new projects that would carry Community momentum forward into the next decade.\textsuperscript{23} Among these new projects, foreign policy, political cooperation and EMU emerged as frontrunners.

At The Hague, the linkage of political cooperation and EMU was designed to acknowledge the realities of the global economy and to encourage Community dynamism into the future. Based on negotiations at the summit, the national leaders agreed to a new impetus for political cooperation.

\textsuperscript{21} “We declared our readiness to encourage closer cooperation in foreign policy, with the aim of helping the Western European states, step by step, to adopt a common stance on international political questions.” Willy Brandt, \textit{My Life in Politics}, p. 173. “A new start in policy towards the European Community was one of the priorities of Brandt when he arrived at the Chancellery in October 1969…Also of significance were two areas where it was necessary to overcome French reticence: political cooperation and the consolidation of Community institutions.” Andreas Wilkens, “New Ostpolitik and European Integration”, in N. Piers Ludlow, ed., \textit{European Integration and the Cold War}, p. 75.

\textsuperscript{22} “Reduced to basics, this meant that our efforts in \textit{Ostpolitik} must be attuned to our Western partners and rooted in the political structure of the Atlantic Alliance. Even more simply: our \textit{Ostpolitik} had to begin in the West.” Willy Brandt, \textit{My Life in Politics}, p. 173.

\textsuperscript{23} “Entry upon the final stage of the Common Market not only means confirming the irreversible nature of the work accomplished by the Communities, but also means paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow and of making a contribution commensurate with its traditions and mission.” “Final Communiqué of the Meeting of the Heads of State or Government of the Member States at the Hague” (2 December, 1969), Centre Virtual de la Connaissance sur l’Europe (CVCE), \url{http://www.cvce.eu/viewer/-/content/33078789-8030-49c8-b4e0-15d053834507/en} (6 March 2013).
‘The Heads of State or Government therefore wish to reaffirm their belief in the political objectives which give the Community its meaning and purport, their determination to carry their undertaking through to the end, and their confidence in the final success of their efforts.’

Although tentative and based solely on an intergovernmental structure, excluding the supranational elements of the Community, the new political cooperation initiative officially acknowledged for the first time the common desire of the Six to agree political cooperation on the international stage.

‘They agree to instruct the Ministers of Foreign Affairs to study the best way of achieving progress in the matter of political unification, within the context of enlargement. The Ministers would be expected to report before the end of July 1970.’

The Davignon Report

The resulting report, officially entitled ‘The Report by the Foreign Ministers of the Member States on the problems of political unification’, was commonly known as the ‘Luxembourg Report’, or the ‘Davignon report’. Introducing the concept of European Political Cooperation (EPC) in a specific sense that distinguished its independence from the EC structure proper, the process elaborated in the report represented a mission statement and a description of the structures that could facilitate foreign policy coordination and eventual political unification among the Six explicitly excluding the EC’s institutional structure.

24 “Final Communique of the Meeting of the Heads of State or Government of the Member States at the Hague” (2 December, 1969).
25 “Final Communique of the Meeting of the Heads of State or Government of the Member States at the Hague” (2 December, 1969).
26 Etienne Davignon was the Foreign Minister of Belgium at the time and was charged with compiling the report.
Describing Europe as being ‘conscious of the responsibilities incumbent on it by reason of its economic development, industrial power and standard of living’, the report alludes to the Community’s lack of a single international voice and its specific role in relation to the developing world, whereby the EC ‘intends to step up its endeavors on behalf of the developing countries with a view to setting international relations on a basis of trust.’

In an era of superpower dominance of the Third World, this statement of intent clearly indicates a new departure for Europe: acting as a single bloc, this time as equal partners, within geographical areas familiar to many of the member states from their colonial period.

Basing its recommendations on the belief that ‘Europe must prepare itself to discharge the imperative world duties entailed by its greater cohesion and increasing role’, the report borrowed many of the structures negotiated in the failed Fouchet Plan. However, it was different in three key respects: the process was open to new member states, including Britain, de Gaulle was not involved and it avoided encroaching into EC territory by restricting itself initially to foreign policy.

In practice, it proposed regular foreign policy meetings of the Council of Ministers, the creation of a Political Committee to prepare such meetings and once-off meetings of Heads of State when required to discuss pressing international issues. In line with the intergovernmental approach dominant since the Luxembourg Compromise,

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28 The Political Committee consisted of Directors of political affairs from each member state’s foreign affairs department. This would run independently of the EC structure, called COREPER, of official member state ambassadors, based in Brussels, who prepared Council of Minister meetings.
29 Regular meetings of EC Heads of State were still a novelty in 1970. Only in 1974 did the European Council become an institutional reality within the EC.
the Commission and the Parliament were effectively sidelined from participating in the process. This was emphasized by an effort to hold meetings outside of Brussels and Luxembourg.\textsuperscript{30} EPC would be run parallel to the EC, not within it. According to Simon Nuttall, ‘the Community was to be kept at arm’s length. EPC was not to interfere with it, and it was not to interfere with EPC.’\textsuperscript{31}

On October 27, 1970, the Foreign Ministers of the Six approved the Davignon report and the first meeting under EPC was held within a month. The first item on the agenda was the Conference on Security and Cooperation in Europe (CSCE). Proposed by the Soviet Union as a means of legitimizing the division of Europe based on broad international negotiation, the CSCE presented a useful opportunity for the new EPC to take a leading role. Due to the Vietnam distraction and the multilateral format of the proposed conference, the United States was not motivated to take a leading role.\textsuperscript{32} For the Europeans, especially France, this was a golden opportunity to establish an independent presence on the international stage.

Ironically, participating in the CSCE meant that the Commission could not be totally excluded from EPC. The economic aspect of the CSCE negotiations offered a window of opportunity for the otherwise excluded Commission to participate in a limited fashion in the EPC process. Despite French objections, the Commission president of the time, Malfatti, was allowed to attend relevant EPC meetings touching Community

\textsuperscript{30} The degree to which meetings of the EC Council of Ministers and EPC Ministers, all the exact same individuals, were kept separate was expressed in a farcical manner on 23 July 1973 when the Ministers conducted an EPC meeting in the morning in Copenhagen before flying to Brussels in the afternoon to complete an EC Council meeting. Nuttall, p. 75.

\textsuperscript{31} Nuttall, p. 51.

\textsuperscript{32} American Secretary of State, Henry Kissinger, placed little significance in the CSCE. It was “…at best significant for public opinion, but certainly not an essential component of the substantial make-up of the substance of détente.” Nuttall, p. 57.
competences and the Commission was granted limited input into policy positions adopted under EPC. Over the following decades, the Commission continued to push for greater involvement in EPC, with mixed results.

**Paris Summit 1972**

It was not until the Paris Heads of State summit of 1972 that clearer intentions were outlined regarding political cooperation, responding to pressures from Cold War détente, the upcoming CSCE, the imminent launch of the Tokyo Round of GATT negotiations and the growing profile of third world development. At this summit, also attended by the three new member states of Great Britain, Ireland and Denmark, the EC reiterated its mission statement in the context of the rapidly changing international scene to gradually move towards ever closer union. Even if it was not technically a part of the EC structure, the EPC process was a clear first step in this general direction.

‘..the time has come for Europe to recognize clearly the unity of its interests, the extent of its capacities and the magnitude of its duties; Europe must be able to make its voice heard in world affairs, and to make an original contribution commensurate with its human, intellectual and material resources. It must affirm its own views in international relations, as befits its mission to be open to the world for progress, peace and cooperation….The Member States of the Community, the driving force of the construction of Europe, affirm their intention to transform before the end of the present decade the whole complex of their relations into a European Union’

Though still in an embryonic stage of political cooperation, the Community’s announcement of a plan to intensify existing consultations, to present a united front where possible on global affairs and to form a ‘European union’ within a decade

represented a bold statement of intent. Considering the initial steps already taken in EPC and the parallel objective expressed in Paris of Economic and Monetary Union, the EC had undergone a radical transformation in the space of a few years. Though both objectives failed to meet their respective timeline targets, the new departure in the fundamental purpose and identity of the Community was now clear as the economic and political foundations of the modern-day European Union were already emerging.

Nonetheless, the Paris summit made the distinction between the EC proper and the EPC structure clearer in one essential manner. The EC institutions would focus on EMU and other Treaty-mandated issues while EPC was confirmed as a parallel intergovernmental venture, which had ‘taken the first step towards losing the role which some had foreseen for it as the motor of European integration.’ This division of labor would remain until the Single European Act in 1986 and later the Maastricht Treaty in 1992, when the two distinct processes were finally brought under the single umbrella of the EU, though even then they remained separate pillars.

Of all the policy topics on the table in 1972, EPC was the most likely area to provoke controversy as it forced the member states to define a common identity and mission statement at a time when approaching enlargement was likely to alter much of its character and to trigger a reassessment of its role within the international community. By the early 1970s, despite being officially endorsed by the member states at The Hague and the Paris summits, EPC remained a difficult objective. Deeply ingrained national traditions of independent foreign policy as well as an increasingly complex global

34 EMU suffered from the impact of the oil crises and the resulting divergent national economic plans. However, it re-emerged in the 1980s, based on the existing 1970 Werner Plan, to form the central focus of the modern EU.

geopolitical situation represented significant obstacles for immediate progress towards EPC. Even the type of language employed carried risks. Following the Hague summit of 1969, the Davignon report and the resulting political cooperation process went to great lengths to avoid using the term ‘political union’ in an effort to distance the process from the divisive Fouchet Plan.36

Despite all the difficulties, the organization of EPC was reviewed and codified in 1973 within the ‘Second Report on European Political Cooperation on Foreign Policy’, commonly called the ‘Copenhagen Report’. In this report, several changes were made to EPC. First, ministerial meetings were made more frequent, Political Committee meetings were allowed whenever required and an official telex system was created to link the capitals of the Nine. Called ‘COREU’38, this system allowed immediate communication directly between foreign ministries and granted an appearance of unity among the member states. However, the report still betrayed the tension between supporters of the intergovernmental basis of EPC and those in favor of merging the process with the EC under the wider goal of ‘European Union’ as expressed at the Paris summit.39

Foreign Policy and Trade

‘With regard to the industrial countries, the Community is determined, in order to ensure the harmonious development of world trade: to contribute…to a progressive liberalization of international trade. In this context, the Community


38 COREU was shorthand for the French term ‘Correspondance Européenne’.

39 At one point, the report states, “that the characteristically pragmatic mechanisms set up by the Luxembourg Report have shown their flexibility and effectiveness…” but goes on to state that cooperation on foreign policy must be placed in the perspective of European Union. Nuttall, p. 79.
attaches major importance to the multilateral negotiations in the context of GATT in which it will participate….”

Following The Hague summit of 1969 and the Davignon report of 1970, EPC consisted of informal consultations among national ministers and officials aimed at presenting a unified front to the outside world. Effectively excluding the Commission, EPC remained a strongly intergovernmental structure. With the arrival of new member states Great Britain, Ireland and Denmark, this structure was unlikely to change. For historical reasons, the British government placed particular emphasis on foreign policy and its impact on international stability and trade. For them, an intergovernmental structure offered the most influence as they rejected any encroachment by the Commission. In this format, EPC represented an area of Community policy where British enthusiasm allowed them to take a leading role without fear of ceding sovereignty to Brussels.

Despite this predominantly intergovernmental structure to EPC, one area of Community competence in foreign policy did allow the Commission to play a central role: as the official representative of the EC on international trade issues, the Commission played the central role as Community representative in international trade negotiations. In general, the Commission reflected the spirit of the Treaty by broadly pursuing a policy of international trade liberalization and the greater involvement of former colonies in

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42 The exception being the CAP, which contravened the trade liberalization goals of GATT.
this trade process under the auspices of the General Agreement on Trade and Tariffs (GATT). Since this had also been the historical approach of the British government to international trade talks, in 1973, it seemed a logical step that a British Commissioner, Christopher Soames, was chosen for the crucial Trade and External Relations portfolio. At this point, Commissioner Soames’ major responsibility was to represent the EC during the new Tokyo Round of GATT negotiations, a crucial global platform for the Community to project its new sense of international purpose and political identity.

Sir Christopher Soames already had a long diplomatic career by the time he assumed office as Commissioner within the Ortoli Commission. Under Prime Minister MacMillan, he was Minister for Agriculture before serving as Ambassador to France from 1968 to 1972. As Vice-President of the Ortoli Commission and Commissioner for Trade and External Relations, he exercised significant influence over EC trade policy and was instrumental in the Community’s participation in the Tokyo Round. At a time when his own national government’s renegotiation of membership terms and its budget rebate battle was isolating it within the EC, Soames was playing an important role on behalf of the Community in fighting for member state trade interests within a global market context. In this role, Soames promoted two of the EC goals that emerged from the Paris

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44 Sir Christopher Soames was a Conservative member of parliament whose professional experience included Minister of Agriculture, British Ambassador to France and later Leader of the House of Lords and the last Governor of Southern Rhodesia.

45 Francois-Xavier Ortoli was the French president of the Commission from 1973 to 1977, the first Commission after the accession of Britain, Ireland and Denmark.
summit in 1972: international trade liberalization and the promotion of more equitable trade relations with developing countries.  

‘I think it may be useful if I now state briefly one or two of the points of the Community's general approach to these forthcoming negotiations. We believe that the main objectives of these negotiations should be twofold. First, to consolidate and continue the liberalisation of international trade on the basis of mutual advantage and mutual commitment with overall reciprocity. And secondly, and no less important, to improve the opportunities for developing countries to participate in the expansion of world trade and to ensure a better balance of advantage as between industrialised and developing countries in receiving the benefits from this expansion. These two broad objectives will govern our approach to these negotiations throughout.’  

While these aims did not provoke opposition from fellow negotiators, trade liberalization was after all the purpose of the meetings, the EC’s Common Agricultural Policy (CAP), a complex system of farm product subsidies and export credits that protected European farmers from market forces, did not reflect the same spirit of openness. On the contrary, the EC’s inflexible approach to the agricultural sector forced the Community to defend a non-negotiable domestic priority that was guaranteed to trigger opposition from its external colleagues. In this sense, the CAP provided a useful early litmus test of just how much the EC could resist external pressure to change a fundamental common policy.  

‘Finally agriculture. We regard this as an integral part of these negotiations. But while we accept that the general objective of the negotiations should apply in this sector as in others, we believe nevertheless that account must be taken of the special situation of the developing countries and the need to ensure that their needs are met. In this context, we believe it is important that there should be a balance between the interests of the industrialized countries and those of the developing countries.’

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46 “The Community is ready to participate as soon as possible, in the open-minded spirit that it has already shown, and according to the procedures laid down by the IMF and the GATT, in negotiations based on the principle of reciprocity...in which the interests of the developing countries must be taken fully into account.” “Statement from the Paris Summit”, Bulletin of the EC, pp. 14-26.

also be taken of the special characteristics of agriculture and agricultural products…. But I must make it very clear that in stating the Community's willingness to negotiate seriously on agriculture I am not suggesting an intention to negotiate about the principles of our Common Agricultural Policy. These principles and the mechanism which supports them we consider to be a matter of internal policy and we do not consider them to be the object of international negotiation.”

Following six years of negotiation, the first four completed under the Ortoli Commission, the Tokyo Round was finalized and the Community recorded some success. Customs duties among the top nine industrial markets were reduced by one-third and an agreement on non-tariff barriers was accepted by a limited number of GATT members. This agreement was later expanded to the entire organization under the Uruguay Round. Crucially, the agricultural field witnessed little trade liberalization success. Confirming its position as one of the world’s largest trading blocs, the EC was able to influence global trade policy in a way that promoted general Community trade liberalization goals while protecting the blatantly anti-free trade CAP.

The Year of Europe

‘Our values, our goals and our basic interests are mostly closely identified with those of Europe.’


49 Under the GATT system, broad agreements among all members were called ‘multilateral commitments’, while agreements among a limited number of members were called ‘codes’. Often, codes formed the basis for multilateral commitments at a later date. Crucially, the Tokyo Round featured codes that reduced non-tariff barriers to trade among limited member states, a key element of the EC’s future Single Market drive in the 1980s that facilitated the creation of the EU. “The GATT Years: from Havana to Marrakesh”, http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm.

50 ‘For instance, in agriculture, loopholes in the multilateral system were heavily exploited, and efforts at liberalizing agricultural trade met with little success.’ “The GATT Years: from Havana to Marrakesh”, http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm.

‘Dr Kissinger confessed that his speech had been a mistake. He had naively believed that the declaration could be quickly and easily worked out. It was one of the worst mistakes that he had made.’\textsuperscript{52}

‘I must honestly tell you that I find it astonishing that an endeavor whose purpose was to create a new spirit of Atlantic solidarity….should now be turned almost into a European-American confrontation.’\textsuperscript{53}

Since the foundation of Western European security, and therefore the stable conditions that underpinned EEC growth, had been guaranteed by the United States after World War Two and throughout the Cold War, it was unsurprising that good relations between both sides of the Atlantic remained a priority for the EEC. The United States encouraged all initiatives that promoted political cooperation and economic unity in Europe. Given the strong bonds that existed between the allies for decades, it was presumed that this relationship was built on firm footing of mutual respect, economic compatibility and political cohesion. With the Warsaw Pact on the borders of the EEC, it seemed an obvious given that the Community had a strong motivation to foster good American relations. However, such basic assumptions were seriously tested in the early 1970s, when unexpected disagreements and even animosity surfaced in the trans-Atlantic alliance that threatened both the strength of this alliance as well as the early advances made in political cooperation within the EC. The source of these disagreements was a unilateral diplomatic initiative from Washington and the global energy crisis.

In particular, the fallout from the Nixon Administration’s so-called ‘Year of Europe’ initiative of 1973 provides a useful snapshot of how much the wartime alliance


had weakened between the United States and Europe and how fragile the EC’s internal political cooperation process still remained. For the Americans, the experience of European hostility towards their initiative proved particularly shocking and bewildering.

‘It was in this manner that what started as an effort to foster Atlantic unity turned into a device to organize all the democracies against the United States……the Year of Europe had lost its meaning.’

Announced with great optimism and fanfare by President Nixon’s foreign policy advisor, and later Secretary of State, Dr. Henry Kissinger, the ‘Year of Europe’ was proclaimed by the Nixon Administration as official recognition of the coming of age of the Old Continent following a half-century of self-destruction and rehabilitation. By extending an invitation to update the trans-Atlantic relationship, Nixon and Kissinger thought they were offering a reasonable request and expected a positive response. Unfortunately, the ‘Year of Europe’ proved to be a disaster on both sides of the Atlantic. In the space of six months, it had already succeeded in raising tensions among EC Member States and in damaging Community relations with the United States. For both sides of the self-proclaimed ‘Western Alliance’, the experience represented a shocking demonstration of the shallowness of their assumed shared values and policies. For the EC in particular, the ‘Year of Europe’ debacle brought home unwelcome truths about its dependence on the United States and the need for a serious reappraisal of its purpose in the world.

Nonetheless, in the longer-term, the experience proved to be an important turning point in the development of EPC and of the Community’s definition of its purpose in the

world. Forced to define its political role on the global stage, the entire episode pushed the Community towards the significant realization that its traditional *raisons d’etre*, trade and economics, could no longer be pursued in isolation from global politics. Whether the Member States liked it or not, the EC had become a heavyweight economic bloc with inevitable political impact and its global competitors could no longer accept a Community in political denial.

For the Nixon Administration, the Year of Europe initiative began as a conciliatory gesture designed to renew the Atlantic Alliance and to recognize the changes triggered by the new international environment of détente. It also wished to engage the expanding EC in a world where the growing American budget deficit made favorable trade agreements an urgent issue for domestic stability. In its view, the initiative would serve to calm European fears of exclusion from superpower bargaining, promote equality and understanding with traditional allies in international trade negotiations and bolster the Western Alliance against any Soviet plans of divide and conquer. In essence, the United States government believed that it was offering a hand of friendship towards an old friend who was beginning to feel somewhat overlooked.

However, in Europe, the tone and timing of the gesture was to prove problematic. Fundamentally, the plan was expected to achieve a relatively low-cost and a low-risk international diplomatic success for an Administration beginning to feel the strain on

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55 In 1973, US GDP stood at 1.096 trillion ECU, EC GDP was 970 billion ECU and Japan’s was at 337 billion ECU. Nigel M. Healey, ed. *The Economics of the New Europe: From Community to Union* Appendix Table A2.

several fronts. However, events would demonstrate that the President and his advisors had failed to do their homework on the complex distribution of political responsibility in Europe as well as the actual extent of EC political cooperation at the time.

In the short-term, instead of forging a new Atlantic partnership, as Nixon hoped, the initiative merely helped highlight the growing dislocation in cross-Atlantic expectations and demonstrated the divergent directions being taken by the United States and the EC in foreign policy. However, more crucially, in the longer-term, the Year of Europe experience contributed to a turning point in how the EC viewed itself by forcing the Community to confront the new political responsibility that accompanied its global economic strength in a world where American power was waning and détente promised new opportunities and uncertainties. Though modest by national standards, the degree of political cooperation achieved within the Community during the 1970s still surpassed any contemporary endeavor among sovereign states anywhere in the world.

When President Nixon’s National Security Advisor, Henry Kissinger, took the podium at the Associated Press annual luncheon on April 23 1973 to announce the Administration’s new design for consolidating relations with Europe, both the United States and its Western European allies were still identified as pillars of the so-called ‘Western Alliance’, a partnership forged against the dual threat of National Socialism and Communism over three previous decades.  

57 Pressures included the growing Watergate scandal, the evacuation of American troops from Vietnam and dealing with the domestic consequences of failure and inflation caused by a weakening Dollar.  
58 “This year has been called the Year of Europe, but not because Europe was less important in 1972 or in 1969. The Alliance between the United States and Europe has been the cornerstone of all postwar foreign policy.” Henry Kissinger, *American Foreign Policy*, p. 101.
Moreover, Kissinger felt confident that his idea would be taken in good faith and used to bolster Western solidarity in the face of shifting international political tides.\(^{59}\) However, in the space of a year, cross-Atlantic relations had deteriorated to such a degree that President Nixon refused to travel to Europe unless American trade and financial demands were met and European leaders did not hesitate to publically question American foreign policy and Nixon’s commitment to European security. How did this diplomatic breakdown occur so quickly? What role did the Year of Europe initiative play in this downturn? And what impact did the political and economic fallout have on the development of the Community’s political cooperation process?

Taken at face value, Kissinger’s speech appeared to recognize the traditional shared values between the United States and its European allies and to suggest a rejuvenation of the relationship to adapt to a changing world order. By 1973, the threat of National Socialism was a distant memory and Communist regimes, though still the dominant influence in large sections of the world, were beginning to lose their aura of intransigence through the process of détente. The contents of the speech itself were designed to outline the Nixon Administration’s planned approach to readjusting relations with Europe in recognition of its evolving place in the world.

First, Kissinger admitted that, since the beginning of the alliance, the world had changed and that a new approach was necessary to meet the demands of modern challenges. While Europeans had become used to peace and were therefore less committed to the effort required to maintain it, the scars of Vietnam had discouraged

\(^{59}\) Referring to the assumed support of President Pompidou: “In light of the controversies between France and the United States to which it later gave rise, there is no little irony in the fact that the ill-fated Year of Europe was born in the office of the President of the French Republic.” *Years of Upheaval*, p. 130.
Americans from sustaining global involvements. As a consequence of this divergence, he noted a worrying rise in European complaints against American diplomatic, economic and military motives. To counter this trend, Kissinger suggests replacing the existing partnership, based on reconstruction and fear, with one built on peace and opportunity.

‘The Atlantic nations must join in a fresh act of creation, equal to that undertaken by the postwar generation of leaders in Europe and America.’

Second, Kissinger stated that President Nixon was determined to deal with Atlantic problems in a comprehensive manner and at the highest level. Consequently, he invited European leaders to consolidate and rescue the core political, military and economic issues from the influence of what he termed ‘technicians’. In his view, these issues are ‘linked by reality, not by our choice nor for the tactical purpose of trading one off against the other.’ Then, in one of the key lines of the speech, and one that was later to return to haunt the Administration, Kissinger continues with a proposal: ‘The United States proposes to its Atlantic partners that, by the time the president travels to Europe towards the end of the year, we will have worked out a new Atlantic charter setting the goals for the future.’

Unquestionably, Kissinger had chosen wording reminiscent of the Atlantic Charter agreed between President Roosevelt and Prime Minister Churchill in August 1941 to remind Europeans and Americans of their successful and heroic recent history. However, in doing so, he had set ambitious goals and merely reminded some Europeans of a landmark document to which the majority of European states had not actually

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60 *American Foreign Policy*, p. 103.
61 Ibid, p. 103.
contributed. The full impact of this choice of words would not be immediately apparent but would help undermine the European reception of the speech.

Third, Kissinger outlined the roots, as he saw it, of the current Atlantic problems. Fundamentally, he saw the diverse organizations and layers of authority in economics, defense and diplomacy created over the preceding decades as principal culprits. In another linguistic faux pas, Kissinger claimed that, in economic issues, the EC had ‘increasingly stressed its regional personality’, while the United States was responsible for ‘a wider international trade and monetary system.’

Unfortunately, this choice of words created two unhelpful impressions. First, the EC was beginning to see itself as more than a regional trade bloc and had expanded its influence with several non-European countries to make this more of a reality. Second, the international monetary system that he mentioned as being an American responsibility, the Bretton Woods System, had just experienced severe instability as a result of American inflation partly caused by the cost of an unpopular war in Vietnam. In August 1971, when the Nixon Administration unilaterally suspended dollar convertibility within the Bretton Woods international financial system, they effectively left the Europeans and the rest of the currencies pegged to the dollar without a stable monetary system. Obviously, this domestically motivated initiative left a bitter taste in foreign mouths and forced the EC in particular to scramble to save their CAP from crumbling and their

63 Ibid, p. 104.
fledgling EMU project. This voluntary American-led instability convinced many European states that their transatlantic allies could no longer be trusted.64

In terms of diplomacy, Kissinger’s speech welcomed the frequent consultations that were occurring but lamented the fact that European regional interests and American global responsibilities were not always compatible and that diplomatic relations still had to be conducted by traditional nation states. The complicated and overlapping nature of EC institutions had always frustrated Europeans, but hearing the internal functioning of the EC criticized by a foreign power was not well received in Europe.

‘In short, we deal with each other regionally and even competitively in economic matters, on an integrated basis in defense and as nation states in diplomacy……We can no longer afford to pursue national or regional self-interest without a unifying framework.’65

In describing an agenda for the future, Kissinger first underlines American disappointment with the extent of EC political union in the wake of successful economic integration as well as American frustration with European divergence from American foreign policy priorities. In this respect, the Nixon Administration clearly misjudged the complexity of European integration as a process as well as European sensitivity regarding outside opinion of internal affairs. The tone was interpreted as paternalistic. This misjudgment is all the more surprising considering Kissinger’s European roots.

‘We expected that political unity would follow economic integration, and that a unified Europe working cooperatively with us in an Atlantic partnership would ease many of international burdens. It is clear that many of these expectations are not being fulfilled.’66

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64 “Subsequently, for the Europeans, the devaluation of the dollar was achieved at a high price: an increase in currency fluctuation margins, potentially endangering monetary union……”, Pierre Melandri, Georges Pompidou et L’Europe, p. 98.
65 American Foreign Policy, p. 105.
66 Ibid, p. 106.
Regarding economic relations, while welcoming European economic progress, the Administration was clearly concerned by the protectionist nature of the EC as well as its growing influence in global trade. In an effort to encourage comprehensive trade negotiations under GATT, the United States assured Europe of its support but warned against placing these negotiations in the hands of technical experts. In Nixon’s view, only top-level political leaders could successfully avoid the influence of special interests. Underlining the American desire to link economics, defense and politics, Kissinger places the Administration’s approach to trade talks firmly in the context of its wider political goals and warned of the consequences of compartmentalizing the issues. Unfortunately, this opinion merely highlighted the relative lack of political union within the EC at the time and was an awkward truth.

‘It is the responsibility of national leaders to ensure that economic negotiations serve larger political purposes. They must recognize that economic rivalry, if carried on without restraint, will in the end damage other relationships.’

Turning to matters of defense, Kissinger highlighted the traditional unity of purpose between the allies. However, he then warns of the threats to this unity from changing strategic conditions and the advent of détente. In an age of nuclear parity, he emphasized the need for ‘flexible response’ against the Soviet threat. In real terms, this term refers to the maintenance of allied troops on the ground in Europe. While acknowledging the agreement in principle to flexible response among the allies, he sought to prevent the undermining of Western resolve due to domestic pressures. Ultimately, the Americans feared a weakening of European resolve in the wake of a

perceived lower threat as well as a reluctance to share the economic burden of such a
defense structure.

‘Flexible response cannot be simply a slogan wrapped around the defense
structure that emerges from the lowest common denominator compromises driven
by domestic considerations. It must be seen by ourselves and by potential
adversaries as a credible, substantial and rational posture of defense.’

Finally, in the diplomatic arena, Kissinger lists the notable achievements of recent
years, including the Treaty of Moscow in 1970 between the USSR and West Germany,
the SALT I agreement on arms reduction and the CSCE. Nonetheless, he claimed that
this very success entailed certain dangers and complained that the Europeans had not
accorded the Americans the same level of trust that the latter had displayed towards them
in negotiations with the USSR.

‘Yet some of our friends in Europe have seemed unwilling to accord
America the same trust in our motives that they received from us or to grant us the
same tactical flexibility that they employed in pursuit of their own policies. The
United States is now often taken to task for flexibility where we used to be
criticized for rigidity.’

In concluding his speech, Kissinger reiterates American commitment to European
unity and their expectations for a partnership and a spirit of reciprocity. Although he
promises that America will never unilaterally withdraw its forces from Europe, in return,
he expects a sharing of the financial burden. Ironically, considering later allied
disagreements, he mentions Energy as an area in which agreement required urgent
attention. Clearly, even before the first oil crisis of October 1973, the Nixon

\[69\] Ibid, p. 111.
Administration already placed particular emphasis on oil supply and its impact on international financial stability.

The European Response

When the Nixon Administration launched its Year of Europe initiative, EC energy was already consumed by several parallel processes. First, with the accession of Denmark, Ireland and the United Kingdom in January 1973, it had increased its membership by 50% and had raised the Community’s population to over a quarter of a billion. This process of integration occupied enormous resources and a period of assimilation was to be expected. Second, following the summits of The Hague and Paris, the plan to achieve economic and monetary union by 1980 set an ambitious task that demanded internal focus. Third, through the Davignon process, the Community had taken tentative steps towards political cooperation and sought to increase the Community’s international impact.

In reality, political cooperation was proving more difficult to achieve as nine member states with different political agendas invariably meant limited common positions or a series of lowest common denominator decisions. Ironically, it took an American initiative to force Europe’s hand and to focus Community minds on the merits of a meaningful political cooperation structure. In the wake of the Year of Europe controversy and as cracks showed in the Atlantic Alliance, political cooperation among the Nine proved difficult but taught valuable lessons on how not to proceed.

When President Roosevelt and Prime Minister Churchill collaborated on their efforts to end Nazi dominance in Europe, the already close relationship between their two
countries seemed to enter a new phase. Of course, common links of language and cultural heritage had always helped both countries to look at the world through similar lenses but, as distinct national entities, their respective foreign policy was not necessarily conducted with much regard for the other’s priorities. While Great Britain ran its global empire, the United States kept guard over one of the few continents where British rule did not compete for influence. Effectively, the global political town was more than big enough for both countries. However, as the list of allies dwindled in the wake of Nazi expansion, the distant Atlantic cousins found an especially fertile common ground on which their relationship could flourish: a non-Anglo Saxon power with aggressive global ambitions.

When this threat receded, the rise of the Communist enemy merely helped prolong the special ties between what had by then become the growing American superpower and the ailing British patriarch. Building on the close personal relationship established between Roosevelt and Churchill, their respective successors felt obliged to maintain, at least in public, the image of a special relationship between the two countries. By the 1960s, their special friendship offered the perfect symbiotic relationship: the United States benefited from a strategically located and loyal European ally and the British ensured a good relationship with their principle creditor and vicariously kept the memories of their former glories alive as sympathetic advisors for the American superpower.

Despite setbacks such as the Suez debacle and continued exclusion from the superpower inner circle, successive British governments remained staunch allies of their American cousins. Unfortunately, this bond also created a recurring dilemma for the
British as it cost them in their relationships with their European neighbors and in their efforts to join the EEC.

Finally, in 1973, when the British were allowed to enter the Community, it was hardly surprising that a price had to be paid with regard to the special relationship. This loyalty dilemma became particularly apparent during the Year of Europe controversy.

The election of Edward Heath as Prime Minister in 1970 represented a fortuitous event for the pro-Europe faction in British politics and a mixed blessing for the country as a whole. Despite the trauma of two failed attempts in the 1960s, Heath was supportive of British membership of the EC and made it one of his main goals in government. In the first British application process, under MacMillan, he had been Britain’s chief negotiator. While his accession to power increased Britain’s focus on joining the Community, it also heightened the risk of straining the special relationship with the United States. In Heath’s view, there was a logical progression from economic community to political and even defense community. In the end, a choice would have to be made and, unlike his predecessors, Heath preferred to sail East instead of West.

The timing of Kissinger’s Year of Europe initiative was not particularly welcomed by the British government. Having just joined the EC, where important details of funding, budget contributions and regional aid were all linked and at a delicate stage of negotiation, they were careful not to arouse suspicions of pro-American sentiment among their European colleagues. During accession negotiations, the Heath government had

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70 According to Kissinger, “Heath….preferred a leading position in Europe to an honored advisory role in Washington and he did not consider the two functions compatible.” Years of Upheaval, p. 139.

71 “I do not think it realistic to suppose that defense will be excluded indefinitely from the European experiment.” Old World, New Horizons, p. 72.
worked hard to avoid such suspicions, which had thwarted the previous two British applications. Consequently, it was willing to sacrifice American goodwill for European trust.\textsuperscript{72} In this regard, to the frustration of Nixon and Kissinger, the Prime Minister would increasingly obey the rules of Community confidentiality. However, the importance of the United States in maintaining British influence and prosperity could not be overlooked. In practice, his government walked a very delicate line of encouraging cooperation between the United States and the EC while trying to favor neither party.

Although officially welcoming the Year of Europe speech, the British government immediately saw difficulties ahead. Unless the EC learned to speak with a single voice, there was a danger that the United States would seek to divide and conquer the Community,\textsuperscript{73} especially given Secretary Kissinger’s ‘proneness to secret single-handed diplomacy’.\textsuperscript{74} Fundamentally, the British government saw two main stumbling blocks to a smooth outcome on the Year of Europe between the Americans and the Europeans. First, the American government insisted on a linkage between financial, trade and security issues. In this regard, they seemed oblivious to the limitations of the EC mandate and to the fact that the Europeans were at different stages of development in each of these fields.

\textsuperscript{72}“Heath was the prickliest human ever to inhabit No. 10 Downing Street….he didn’t really like Americans and certainly didn’t try to understand them; and his number one priority was to cement Britain’s relations with Europe. Little else counted. He had no sentimentality whatever for the mystical “special relationship.” Horne, \textit{Kissinger}, p. 111.

\textsuperscript{73}“This implies that they will not scruple to use their relations with each of the member states of the Community to further their objectives in the multilateral negotiations: in short, to divide and rule wherever they can.” AMU 3/507/1, Lord Cromer, British Ambassador, Washington DC, Letter to Sir Denis Greenhill, FCO, 19 January 1973, “Year of Europe”, DBPO, Doc. 14, p. 5.

\textsuperscript{74}AMU 2/3, Lord Cromer, Washington Diplomatic Report, 480/72, 15 November 1972, “Year of Europe”, DBPO, Doc. 2, p. 5.
While the Community could deal with trade issues as a group, internal Community discussions in the financial area were still very embryonic and there was no guarantee of a consensus position among the Nine. Finally, defense issues were strictly excluded from EC discussions, falling instead under the NATO mandate, which legally involved the United States and other non-EC member states. If the Nixon Administration expected a seamless response from a single European entity on all three areas, they were clearly unaware of how Europe functioned. Second, the British government was aware that the United States Congress had considered a bill that would restrict trade liberalization with Europe and reduce American military commitments in Europe.

Though not an overt threat, this potential course of action was presented as a worst-case scenario to focus European minds on the dangers of erecting trade barriers with non-EC members. Now that the Community was growing, the United States sought compensation for the damage to their balance of trade that a larger customs union would create. Throughout this period, the United States faced the dilemma of creating a strong political alliance with European states while seeking economic gains from those same countries. With such conflicting goals, mixed signals were bound to occur.

As the Americans awaited a rapid and positive response from their European allies, they placed particular pressure on the British government to encourage their partners within the Community. However, when even the British seemed to be dragging

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75 According to Sir Burke Trend: “But economies and NATO were two different things, dealt with in different ways. As new entrants to the European Community, Britain had been bound to look at things in that context.” RS 2/3, Record of Kissinger/Trend meeting, 30 July 1973, “Year of Europe”, DBPO, Doc. 179, p. 13.

76 The so-called Mansfield Amendment of 1971 was defeated in the Senate in May 1971 but had proposed a 50% reduction in defense spending in Europe. The message was clear that American security spending in Europe was not guaranteed forever. *Foreign Relations of the United States, 1969-76, Energy Crisis*, v. 36 (Washington: US Government Printing Office, 2011).
their heels and insisting on enough time to formulate a common Community response to the initiative, the Nixon Administration grew impatient and pressed the point bilaterally with the British, French and German governments. Instead of forcing the EC into a friendly common position towards the American proposal, such a response pushed the Community into a common position that asserted European priorities over Atlantic ones. In any case, in American eyes, the British government was no longer playing the role of its Atlantic partner in Europe. Suddenly, they appeared to have turned their back on their old ally and embraced their European partners as well as their unpredictable mean of conducting foreign policy.

The Americans also had to handle France. Following some frustration with President de Gaulle’s independent posturing against American policy overseas, the arrival of President Pompidou seemed to signal a new beginning in Franco-American relations. Although a Gaullist, Pompidou assumed power in a country that had just rejected de Gaulle in a referendum. Indeed, according to Secretary Kissinger, the idea of the Year of Europe was born in the French leader’s office and had his implicit support. Moreover, having just witnessed Great Britain’s entry into the EC, following two French vetoes since 1963, Nixon might be forgiven for expecting a more charitable reception from the French government for the Year of Europe initiative and his interpretation of French silence seemed positive.\footnote{According to Kissinger, on France, ‘Our general approach to the Year of Europe met no objection.’ In March 1973 from France. ‘We construed silence as assent.’ \textit{Years of Upheaval}, p. 149.}

Unfortunately, neither Nixon nor Kissinger fully realized the dominant power France still wielded within the EC and the extent to which it transferred its desire for
independent status onto the Community. Despite Kissinger’s initial optimism regarding
the French response to his speech, they interpreted it as a patronizing document and as a
means to prepare for future economic negotiations under GATT. Above all, the French
government resented the notion that the American government was attempting to
institutionalize the Atlantic relationship and present the Europeans with a fait accompli
that favored American priorities. As the self-appointed guardian of Community integrity,
France proceeded to respond to the American initiative with unhurried alternatives and
mixed diplomatic signals. At a time when the Nixon Administration was desperately
seeking a rapid foreign policy success, the French seemed determined to derail their
project with issues of procedure as well as of substance.

President Pompidou had several objections to the Year of Europe initiative. First,
in his view, the United States had no right to unilaterally announce a plan that should
have been shared in advance with its European allies. The French government already
believed that the Americans had little respect for an independent European identity. Over
the previous few years, the French in particular had resented the degree to which
American unilateral decisions, especially in the financial area, had negatively impacted
European financial stability. Following their devaluations and perceived disregard for
global financial stability, embodied in Nixon’s unilateral act of ending dollar
participation in the Bretton Woods system in 1971, the United States could expect little
sympathy from France for any further unilateral actions.\footnote{Referring to Geoffroy de Courcel, Secretary-General, French Foreign Ministry, the British Ambassador to Paris, Sir Edward Tomkins states, “He thought it was a step back from the Kennedy statement of 1962, which had developed the idea of two pillars and thus at least paid lip-service to the concept of an independent European identity.” AMU 3/507/1, Paris tel. 588, 26 April 1973, “Year of Europe”, DBPO, Doc. 75, p. 1.}
Second, the speech itself referred to Europe’s regional interests as opposed to American global responsibilities. This statement was seen as patronizing by many of the European leaders and merely served to enhance France’s disdain for perceived American superiority.\(^7^9\)

Third, Kissinger and Nixon sought to combine negotiations on economics, security and political cooperation with the intention of producing a single document. In this regard, the Pompidou government retained strong Gaullist interpretations of the division of power in Europe. In its view, security issues clearly fell under the NATO mandate and any other issues were beyond the NATO framework. In the same vein, bending institutional rules would represent an incursion on the independence of the states concerned.\(^8^0\)

Equally, while the EC could discuss economic issues, the United States was not a member so it could not be involved. Even the idea of the Community’s nine leaders meeting with President Nixon was unacceptable: France would not tolerate ‘holding court’ in such a manner to a foreign leader. Finally, within the EC, France believed that any discussion of political cooperation remained solely a topic for heads of state within EPC and even then strict limits applied. This attitude reflected a strong Gaullist tradition

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\(^7^9\) “The theme running through the text—the world role of the United States as compared with the regional responsibilities of Europe—is considered patronizing.” Sir Edward Tomkins, Paris tel. 588, 26 April 1973, DBPO, Doc. 75, p. 2.

\(^8^0\) President Pompidou stated the French position, “What is Europe? NATO is military and can’t act politically, the EC is economic and excludes the US. The first would curtail French independence and the second would threaten its leadership.” *Years of Upheaval*, p. 178.
of excluding supranational bodies from this sensitive area and of seeking to distinguish Europe from the United States in matters of foreign policy.  

In all of this, Pompidou’s main representative was Michel Jobert, the Foreign Minister. In the eyes of the Americans, Jobert personified all the worst aspects of Gaullist foreign policy. For reasons they were unable to understand, Jobert seemed to insist on diplomatic games for the sake of proving his freedom to do so and always appeared to question American motivations. Within the Community, Jobert also played the Gaullist card by threatening boycotts and walkouts unless French demands were met. In this manner, he succeeded in delaying a common response to the Year of Europe initiative and in vetoing proposed actions that might risk isolating France. Fundamentally, the French government did not trust its partners to remain independent from the United States.

Clearly, Nixon had underestimated the sensitivity of his European allies to unilateral American actions but a rapid and positive outcome was too critical to his administration for him to allow the slow mechanics of EC deliberations to take its natural course. Instead, he and Kissinger tried to advance his case by mixing bilateral and

81 “They are also pathologically sensitive about any possible implication that Europe is in any sense subordinate to or dependent upon the United States, it is strangely like a sort of third world psychosis towards the colonial power.” Ambassador Christopher Ewart-Biggs, MWE 3/304/1, Paris tel. 1122, 28 August 1973, “Year of Europe”, DBPO, Doc. 210, p. 3.

82 “If everything was simple, the plan would seem uninteresting. Therefore, I think it would be useful to keep as long as possible an appearance of conflicting, tense and difficult negotiations.” Michel Jobert, in Georges Pompidou et L’Europe, p. 112.

83 According to Francois Puaux, Political Director at the French Foreign Ministry, “If all France’s partners shared her desire to distinguish Europe from the United States then she would lose her inhibitions about political cooperation and the machinery of the Community. But they did not.” CAB 164/1233, Paris tel. 782, 7 June 1973, Sir Edward Tomkins, “Year of Europe”, DBPO, Doc. 114, p. 2.
multilateral contacts, a method that was not always understood or appreciated by the Europeans.  

Testing EPC

Through the summer of 1973, multiple meetings were held among the Nine within the EPC structure and between individual member states and the United States. Though initially dominated by bilateral meetings between specific European states and the United States, a pattern gradually emerged where European national representatives engaged with the Americans reported back to the Community. Occasionally, the Americans interacted directly with the Community, represented by mid-level diplomatic teams taken from member state governments. This new approach even extended to national leaders, as Prime Minister Heath, President Pompidou and Chancellor Brandt briefed each other and the other member states whenever they met with President Nixon or his representatives. This was the new procedure under EPC. While progress was agonizingly slow for the Americans, who struggled to grasp the reasons for neither a positive nor an immediate response, Community member states were beginning to move towards a coordinated foreign policy approach, if not always resulting in a common position.

Within the EPC structure, tension was created by British and German desires to reach some sort of agreement pushing against solid French resistance to giving too much away too soon to the Americans. Following intensive bargaining among the Nine, the

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84 “I have never, however, understood Kissinger’s failure to appreciate how Europeans react to matters affecting their own continent......It was this lack of sensitivity which led to his mistaken creation of the ‘Year of Europe’...” Edward Heath, *The Course of My Life* (London: Hodder & Stoughton, 1998) p. 492.
85 Between January and May 1973, Nixon met separately with Prime Minister Heath, Chancellor Brandt and President Pompidou.
initial goal of issuing a Community response to the American initiative soon gave way to a two-step approach that was designed to achieve a common internal position on the Year of Europe proposal and to advance the internal political cooperation process: first a document on European identity to be followed by a joint declaration with the Americans.

In July 1973, the ministers of foreign affairs of the Nine met in Copenhagen, within the EPC structure, therefore excluding the Commission, to mark the publication of the Second Report on European Political Cooperation on Foreign Policy. The report outlined recent advances and setting future goals in political cooperation. While the report was commissioned by the Paris summit of 1972 and was designed to mark the next stage of policy convergence within the Community, there is no doubt that the ongoing tension between the EC and the United States over the Year of Europe added to its significance. In this regard, it stated that, ‘Europe must be able to make its voice heard in world affairs and to affirm its own views in international relations.’

Among the initiatives contained in the report were more frequent ministerial meetings, ministerial meetings with the European Parliament and enhanced cooperation between member state embassies in third countries. Crucially, the report also stated that prior to reaching positions on foreign policy, member states should first consult with Community partners.

Following the publication of this report, the Nine embarked on the drafting of a

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87 “On these questions each State undertakes as a general rule not to take up final positions without prior consultation with its partners within the framework of the political co-operation machinery.” The Second Report on European Political Cooperation on Foreign Policy, Bulletin of the EC, September 1973, Part II, section 11.
European identity document to be followed by a draft document on European-American relations in response to the American initiative. The purpose of the identity document was to state clearly the role of the Community in the world and its future mission. This document was finalized at the Copenhagen summit of EC leaders in December 1973. Once this was agreed, the Nine could then engage with the Americans as a more united bloc.

‘The Nine Member Countries of the European Communities have decided that the time has come to draw up a document on the European Identity. This will enable them to achieve a better definition of their relations with other countries and of their responsibilities and the place which they occupy in world affairs.’

In the context of a bipolar world, the document recognized the limits of national diplomacy by individual states within Europe. However, if traditional European values, such as the rule of law, human rights, national independence and security, were to be protected, European states required a shared platform that offered the political and economic weight to impact global events. It goes on to outline the Community’s intention of developing internal mechanisms to achieve this goal, ‘In pursuit of these objectives the Nine should progressively define common positions in the sphere of foreign policy.’

Turning to relations with the United States, the document acknowledges the shared

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89 “Although in the past the European countries were individually able to play a major role on the international scene, present international problems are difficult for any of the Nine to solve alone. International developments and the growing concentration of power and responsibility in the hands of a very small number of great powers mean that Europe must unite and speak increasingly with one voice if it wants to make itself heard and play its proper role in the world.” Declaration on European Identity, Bulletin of the EC, December 1973, paragraph 6.

90 Ibid, paragraph 9.
heritage between the two continents and supports close and cordial relations. However, it also underlines the independent and unfinished nature of the European project and defends its right to disagree with the United States when necessary. In the context of the Year of Europe controversy, this statement provides a departure point for the Community’s pending negotiations with the Americans, who are implicitly discouraged from imposing their own schedule and content. While far from representing a definitive common foreign policy, this document does take a first important step in defining Community priorities and values as an independent entity from the United States.

‘The close ties between the United States and Europe of the Nine — we share values and aspirations based on a common heritage — are mutually beneficial and must be preserved. These ties do not conflict with the determination of the Nine to establish themselves as a distinct and original entity. The Nine intend to maintain their constructive dialogue and to develop their co-operation with the United States on the basis of equality and in a spirit of friendship.’

Although the Nixon Administration was becoming increasingly disillusioned with the time taken by the Europeans, they were reluctantly accepting that, warts and all, the Community process was the best they were going to get. Moreover, if agreement was going to be reached, they were beginning to see that a single, all-encompassing, document was not the solution and, at French insistence, there could be no formalization of Atlantic institutions. The best they could hope for was a NATO document on defense accompanied by a joint EC-US document on economic and political relations. As late as October 1973, mid-level meetings between the United States and the EC were moving towards a watered-down but joint agreement. However, repercussions from the oil crisis

\[91\] Ibid, paragraph 14.
and the disjointed Western response further embittered Atlantic relations, thereby derailing the joint document and encouraging the EC to take its own initiative at Copenhagen.

Demonstrating the interdependence of parallel political initiatives, the bitter experience of the Year of Europe episode also became a factor in President Nixon’s efforts to solidify Western unity in the face of the 1973 oil crisis. When the Yom Kipur War broke out in October 1973, the trans-Atlantic alliance was in no fit state to agree a unified position. If they could not agree a straightforward joint statement of intent in a general sense, the prospect of finalizing a common position on an issue that threatened their entire economic foundation and pitted them as competitors for a limited amount of oil was even more remote. In early 1974, fearing mounting oil prices and further Middle East conflict, the President invited consumer states to Washington to form an Energy Action Group and a consumer action program to stage a show of unity amid growing Arab anger at Western support for Israel.

As a first test for European foreign policy solidarity, the conference was a failure as it exposed the fragility of the political cooperation process as long as one member state remained opposed to joint action. Reluctantly, France participated in the conference but soon became isolated when it protested at the image of wealthy consumer countries contriving against oil producers. In addition, it refused to recognize American leadership in the elaboration of an action plan. While its Community partners sympathized with France’s opinion, they could see no resolution of the crisis without American involvement. In particular, Britain, like France, also lobbied for a broader coalition of consumers and producers and publically criticized American and Israeli policy in the
Middle East. Nonetheless, it was forced to side against the French on this issue based on the fact that no real change could occur without American involvement.

For most European states, it was apparent that the lines separating foreign policy, energy policy and economic policy had become blurred. To construct a viable economic future for the Community, the questions of energy price and supply were crucial and this required a concerted effort to present a united political front to supplier countries. In the case of the Washington conference, the other eight member states were determined not to jeopardize their future by allowing France to lead them down a path where over-zealous suspicion and independence for its own sake seemed like the guiding principles. In this sense, the Community members’ behavior in Washington represented a step towards genuine political cooperation, just that, on this issue, unity was based on eight members instead of nine.

For the Nixon Administration, the Year of Europe represented a setback as an initially well-intended proposition rapidly descended into a bitter exchange, symbolizing a broader dislocation between the Americans and their European allies, a relationship that had been suddenly exposed as drifting apart. On the European side, there was growing resentment as the superpowers appeared to be engaged in ever more exclusive negotiations on nuclear weapons and the European balance of power, the financial turbulence resulting from the collapse of Bretton Woods seemed like a unilateral American act taken without consideration of global consequences and the Vietnam experience made Europeans nervous of being dragged unwillingly into a future American fight.
On the American side, Europe was becoming a trade fortress at the expense of American producers, the cost of defending Europe was unfairly weighted towards the US and the Community was not behaving as an ally was expected to behave towards a superpower that had rescued the continent from its own fratricide. Underlying these fears was the perceived tone and diplomatic methods pursued by President Nixon and Secretary Kissinger.

In the context of European relations, the European suspicion that the Administration was attempting to divide and conquer their allies through a mixture of bilateral and multilateral maneuvering never quite evaporated. For the Community members, three of whom were still learning the ropes of the institutions, what seemed like a simple diplomatic request for the Americans actually became quite a complicated and time-consuming process for which there was no precedent. While political cooperation was on the agenda for the European Union envisaged by 1980, the events of 1973 showed that it was still more of a work in progress than a reality. The combination of American lack of preparation and understanding along with European sensitivity regarding outside influences as well as the growing pains associated with new members worked against harmonious negotiations from the start.92

When Kissinger announced the initiative in April 1973, the Nixon Administration had high expectations. Following the foreign policy coups of the establishment of diplomatic relations with Communist China, the Paris peace accords and continuing détente with the Soviet Union, European relations seemed to offer a much easier

92 “As against this, we have to accept the fact that Kissinger went into all this without adequate preparation, with an imperfect understanding of the situation on the European side and in a secretiveness of manner which has led to repeated misunderstandings.” MWE, 3/304/1, Edward Heath, Ottawa tel. 4 to Paris, 3 August 1973, “Year of Europe”, DBPO, Doc. 182, p. 2.
challenge. Unfortunately, the height of American expectation was matched only by its lack of preparation on how the initiative would be received. While they may have christened it ‘the Year of Europe’, the real beneficiary was designed to be the United States.

Of course, 1973 was also the year of Watergate. Indeed, by the time Kissinger took the floor at the Associated Press lunch in April, damaging allegations against Nixon and his party had already been leaking for over a month. Throughout the year, more details emerged regarding the President’s knowledge of the scandal and his political authority started to crumble both at home and abroad, with one notable exception. As Nixon increasingly became a symbol of deceit and dishonesty, his moral and political standing suffered. The result of this was a recipe for disaster as a more desperate president increased pressure for agreement on a more reluctant Community leadership.

Finally, towards the end of 1973, once the harsh economic impact of global financial instability began to set in and the threat of oil shortages became more real, the concept of an Atlantic relations document took a back seat as Europe tried to distance itself from Israeli and American policy in the Middle East. Moreover, the change of leadership in France, West Germany and the United Kingdom within a short period of time in 1974 further deflated the possibility of a joint Atlantic document.

In the end, the most that could be rescued from the whole experience was a

93 “He would, however, find dealing with America’s allies of three decades standing considerably more fatiguing, and irritating, even than negotiations with adversaries like the nimble Zhou or the bearish Brezhnev.” Alistair Horne, Kissinger, p. 107.

94 Apparently, Nixon still had one admirer among national leaders. According to Edward Heath, Chairman Mao stated: “There is a man (Nixon) who knows what he stands for, as well as what he wants, and has the strength of mind to get it.” The Course of My Life, p. 495.

95 In 1974, Heath lost a general election in February, Pompidou died in April, Brandt resigned in May and Nixon resigned in August.
watered-down ‘Declaration on Atlantic Relations’, signed by NATO members in Brussels in June 1974.\textsuperscript{96} Fundamentally, Europe was coming of age in the world but, as with any coming of age, there was still much uncertainty, resentment, complexes and rebellion against authority figures. In Europe’s case, the United States had indeed helped rebuild its societies and economies. However, in rebuilding Europe to stand on its own feet, it had laid the seeds for future independence and resentment as the old continent recovered and sought a new identity of partner instead of protectorate. The irony of the situation was not lost on European leaders of the day.\textsuperscript{97}

**The Lomé Convention**

‘The Member States agree to associate with the Community the non-European countries and territories which have special relations with Belgium, France, Italy and the Netherlands….The purpose of association shall be to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole.’\textsuperscript{98}

‘The Community is well aware of the problem presented by continuing underdevelopment in the world. It affirms its determination within the framework of world-wide policy towards the developing countries, to increase its effort in aid and technical assistance to the least favored people. It will take particular account of the concerns of those countries towards which, through geography, history and the commitment entered into by the community, it has specific responsibilities.’\textsuperscript{99}


\textsuperscript{97} “….and it will surely be judged one of the greater ironies of history if, just at the moment when the purpose of that aid is being realised and nine of the countries of Western Europe are at last emerging as an entity, the United States themselves should be tempted to reject the concept of an equal partnership which all their efforts for nearly 30 years have been designed to create.” AMU 18/1, Edward Heath, Letter to President Nixon, 4 September 1973, “Year of Europe”, DBPO, Doc. 217, p. 2.


When the EEC was formed in 1958, several member states still controlled overseas territories within their respective empires. This fact was reflected within the Treaty of Rome as France in particular fought to safeguard the trade privileges already in operation between it and its colonies. Under section four of the Treaty, European Development Funds (EDFs) were created to provide technical and financial aid to specific overseas countries with colonial links. In 1963, the Yaoundé Convention was agreed between the Six and the 18 countries within the Associated African and Malgache Countries (EAMA). This convention confirmed the EDFs for a period of five years, until 1969. In return, the ‘associated’ overseas countries agreed to apply reduced tariffs to EEC imports. During the 1960s, the majority of these territories would seek and achieve independence. However, strong economic and political ties remained between new independent states and their former colonial masters. In 1969, Yaoundé II was signed among the same parties and extended EDFs until 1975.

Even before the EEC seriously addressed foreign policy cooperation after 1969, the existence of colonial relations and the Yaoundé Conventions demonstrated that the Community was already effectively playing a common international political role, even if it was within a specific and limited sphere. Crucially, the Yaoundé Conventions remained within the EEC sphere of influence and did not feature within the EPC structure.

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100 “The association policy of the EEC can only be understood within the framework of the French colonial policy after the Second World War. For the association of the overseas countries and territories with the EEC was particularly the consequence of the special constitutional, economic and monetary relations of France with its colonies.” C. Dodoo & R. Kuster, “The Road to Lomé”, in Frans Alting von Geusau, ed. The Lomé Convention and a New International Economic Order (Leyden: AW Sijthoff, 1977) p. 16.

that developed after the Hague summit. This was because the Yaoundé countries occupied a special status of ‘associated’ countries within the EEC trade sphere.

As many former colonial territories became independent states during the 1960s and 1970s, and as a new cohort of former British colonies entered after 1973, the Yaoundé Conventions became outdated and required a new platform. In particular, the trade terms of these conventions were felt to be unfavorable to overseas countries, which were beginning to organize themselves more effectively as a bloc on the global stage. By 1973, it was clear that the successor agreement to Yaoundé would have to satisfy the needs of a more numerous and more demanding overseas constituent as well as the growing awareness of Community countries of their responsibilities towards developing countries. Equally, to advance its plan for a greater international presence in line with its post-Hague transformation, the EC was motivated to negotiate a broader and more comprehensive deal that reflected its greater international political ambitions.

As a former colonial power, the British entered the EC in 1973 determined to extend trade access to their own Commonwealth and treat all countries involved in a more equitable manner. As with France, Britain maintained strong links with former colonies and brought a mindset of global interests to a Community previously focused on regional issues. By joining the EC and influencing its policy towards developing countries, the British were hoping to benefit from increased overall funding for this

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102 “The initial EEC association arrangement was hardly one that provided for basic restructuring, tailored as it was to the wishes of some to continue the old relations on the old basis. Although the two subsequent Yaoundé conventions did bring adjustments and improvements they in turn did not fundamentally alter the position of imbalance.” Laurens Jan Brinkhorst, “Lomé and Further”, in Frans Alting von Geusau, ed. The Lomé Convention and a New International Economic Order, p. 7.
purpose, compared to its own limited budget, and to engage as many overseas countries as possible.

In an era dominated by superpower influence in the Third World, the EC had to make a bold statement of intent if it were to become a serious political player in the rest of the world. In addition, even before British accession, some British Commonwealth members had begun to make unilateral approaches to the EC on joining Yaoundé, effectively sidestepping Britain.\(^\text{103}\) Clearly, such developments were unwelcome to the British but would become irrelevant once they joined the Community.

An early indication that the British were serious in their commitment to getting a fair deal for Third World countries occurred, ironically, during the Labour government’s renegotiation of membership terms in 1974. During its election campaign of early 1974, the Labour Party had promised to safeguard the interests of Commonwealth and other developing countries within a broader renegotiation of membership terms. According to their renegotiation plan, ‘this involves securing continued access to the British market and, more generally, the adoption by an enlarged Community of trade and aid policies designed to benefit not just ‘associated overseas territories’ in Africa, but developing countries throughout the world.’\(^\text{104}\)


\(^{104}\) NA CAB 129/175/19, “Renegotiation of the Terms of Entry into the European Economic Community,” 1 April 1974.
According to Stephen George, the British Minister for Overseas Development, Judith Hart, played an important role in achieving the best terms for developing states in terms of economic aid and access to the EEC market.

‘Together with Claude Cheysson, the French Socialist who was Commissioner for Overseas Development, [Hart] made a major contribution to getting the Community to agree to increase its aid to poor states, and to offer the maximum access for the products of those states to the Community market, without an insistence that they give preference to Community products in return.’\textsuperscript{105}

The resulting agreements were later formalized within the Lomé I Convention of 1975. Succeeding the less balanced Yaoundé Convention, the first Lomé Convention ensured preferential access to European markets for forty-six African, Caribbean and Pacific states (ACP) from 1976 to 1980 as well as aid and investment of over ECU 3 billion for the same countries.\textsuperscript{106} Prime Minister Wilson considered the Convention “historic” and a “new model” for more equal relations between the developed and developing worlds.\textsuperscript{107} Under the Convention, twenty-two developing Commonwealth countries joined twenty-four other developing countries, mostly those of the Yaoundé Convention, in entering a preferential trading agreement with the Community.\textsuperscript{108} ACP countries received free entry into the Community for all their industrial exports and almost all agricultural exports.

\textsuperscript{105} George, p. 81.
\textsuperscript{108} The ACP members were: Bahamas, Barbados, Bostwana, Burundi, Cameroon, Central African Republic, Congo, Ivory Coast, Dahomey (now Benin), Ethiopia, Fiji, Gabon, the Gambia, Ghana, Grenada, Guinea, Guinea Bissau, Equatorial Guinea, Guyana, Upper Volta (now Burkina Faso), Jamaica, Kenya, Lesotho, Liberia, Malawi, Madagascar, Mali, Mauritius, Mauritania, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Chad, Togo, Tonga, Trinidad and Tobago, Uganda, Western Samoa (now Samoa), Zaire (now Democratic Republic of the Congo), Zambia.
The Convention also guaranteed non-reciprocity, meaning the Community no longer required developing countries to offer reciprocal concessions or ‘reverse preferences.’ Rather, it simply required that developing countries treat Community goods no worse than those of other developed countries upon entry. The end of reverse preferences provision was secured at the specific insistence of British negotiators in response to protests from both the Commonwealth and the United States over the damage this did to developing economies.109

Furthermore, the Convention included a three-fold increase in the European Development Fund (EDF) and introduced a Committee on Industrial Cooperation to promote the development and diversification of industry in the ACPs and STABEX (Système de Stabilisation des Recettes d'Exportation), a new scheme funded from the EDF that would help stabilize ACP commodity export earnings.111 Lastly, the Lomé Convention dropped the term of “association” that had described the Community’s previous relationship with developing countries under the Yaoundé Convention.112

Overall, the Lomé Convention offered an attractive deal to dozens of developing countries particularly impacted by the recent rise in imported oil, food and industrial product prices coupled with falling commodity prices. This particular combination created significant hardship for developing countries, which exported the latter and imported the former.113

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109 NA CAB 129/182/18, “EEC White Paper,” E. Heath, 21 March 1975. Under the Yaoundé Convention, Associated States had to give duty-free treatment to Community imports in return for the preferences they received in the EEC.
The EC’s development policy changed significantly over the years following Lomé. Over time, Europe negotiated individual cooperation agreements with fifteen separate Asian and Latin American countries, adopted regional agreements with the Association of South East Asian Nations, the Andean Pact, and Central America, and established special relationships with several member state overseas departments and territories. Yet these relationships are ad hoc, fragmented, and limited in their scope, in sharp contrast to the institutionalized Lomé Convention.114

In terms of the Community’s broader political development since the 1960s, the Lomé Convention demonstrated two critical points. First, it showed how a concerted effort among the Nine was possible and could succeed in redefining trade and political relationships with an increasingly influential bloc of the global community. The EEC was unable to compete on a level playing field with the Cold War superpowers but the Yaoundé and Lomé experience showed that it could create internal political unity for a specific issue of essential historical and cultural importance to several member states. Second, it indicated that new member states, such as the British in 1973, could make a significant impact on the direction of Community policy, helping to elevate its global role and permanently alter its internal character.

The European Council

By mid 1974, the broad principles of political cooperation among the nine member states had been outlined in the Davignon and Copenhagen reports but, as the

114 Martin Holland, The European Union and the Third World, (New York: Palgrave, 2002), p. 2. The Lomé Convention was renegotiated three subsequent times and in the late 1990s the European Union replaced it with the Cotonou Agreement, which includes nearly all of sub-Saharan Africa as well as the Caribbean and Pacific, is aimed at poverty reduction, and includes a political element. See Holland pp. 199-201.
divisive Year of Europe had proven, the practical formulation and implementation of common positions remained problematic. While the national leaders and their ministers for foreign affairs were effectively in control of common foreign policy, only the ministers were recognized as an official institution with regular meetings. Moreover, since the inception of the EEC, meetings among national leaders had remained ad-hoc and usually occurred at times of crisis. Consequently, in December 1974, the Paris meeting of Community leaders decided to formally create their own institution, the European Council, which would meet regularly for both EPC and EC business.

According to the summit communiqué, ‘The Heads of Government have therefore decided to meet, accompanied by the ministers of Foreign Affairs, three times a year and, whenever necessary, in the Council of the Communities and in the context of political cooperation.’ It continues, ‘With a view to progress towards European unity, the Heads of Government reaffirm their determination gradually to adopt common positions and coordinate their diplomatic action in all areas of international affairs which affect the interests of the EC.’ Prompted by the new French President, Valery Giscard d’Estaing, the Council was designed to ensure consistent guidance from the top level of national governments, coordinate EC and EPC policy and to prevent the resurgence of supranational influence from the Commission and Parliament.

Despite the creation of the European Council and the recognition of its role in guiding political cooperation, the remainder of the 1970s presented significant obstacles

to close intergovernmental cooperation in many fields. The political and economic divisions that emerged within the Community from the oil crisis and the recession limited member states’ ability to elaborate a common foreign policy. This division also impacted progress across the board of EC integration, including EMU and regional development funding.

However, by 1980, some bright spots remained from the first decade of EPC. First, the Nine had played an important role in the CSCE negotiations and the EPC’s separate identity conveniently sidestepped the Soviet Union’s refusal to recognize the EC as a part of the process. Second, the Nine used EPC to launch a Euro-Arab dialogue in the wake of the first oil crisis, in 1974, excluding American involvement. While eventually limited in success, the experience gave the Nine access and input within a region previously the domain of American dominance. Third, EPC proved a useful mechanism to react to smaller crises in Cyprus, Portugal, Spain and the former Portuguese colonies in Southern Africa during the 1970s. By no means a rival to the superpowers by 1980, the EPC represented at least a workable structure, advanced political cooperation into new fields and laid the institutional groundwork for later incorporation into the Treaty.\textsuperscript{117}

\footnotesize{\textsuperscript{117} According to Nuttall, the achievements of EPC had been appreciable. “Starting from nothing, EPC had in little more than five years made a name for itself in the world, contributed significantly to the process of détente in Europe through its participation in CSCE, obliged the US to think afresh about its relationship with its allies, begun a dialogue with it is Arab partners and extended its purview to its Mediterranean neighbors and to Southern Africa.” p. 7.}
Following quite a traumatic period of political division within the EC after 1974, common interest was revived at the 1981 European Council summit in London. At this summit, the leaders of the Ten\textsuperscript{119} issued a ‘Draft European Act’ designed to rekindle the Community on several fronts, including common foreign policy.\textsuperscript{120} Specifically, the Act promises to ‘enable Member States, through a common foreign policy, to act in concert in world affairs so that Europe will be increasingly able to assume the international role incumbent upon it by virtue of its economic and political importance…’.\textsuperscript{121} By confirming the leadership role of the European Council in matters of political cooperation, the Act underlines the continued intergovernmental structure of the policy area, although it does concede an association with the Commission and a minor role to the European Parliament.\textsuperscript{122} In terms of future development, the Act prescribes ‘intensified, regular and timely consultations among the Ten with a view to united action

\textsuperscript{118} Latin translation: “It had seemed capable of ruling, until it tried to rule.” At one point, the situation was so bad that the Economist magazine closed its office in Brussels and ran this headline featuring a gravestone on its March 20, 1982, edition. Source: N. Piers Ludlow, “From Deadlock to Dynamism: the EC in the 1980s”, in Desmond Dinan ed., Origins and Evolution of the European Union, p. 222.

\textsuperscript{119} Greece became the tenth Member State in 1981.


\textsuperscript{122} As of 1979, the Parliament is now directly elected by the people of the Community. Under the Draft Act, the Parliament will be consulted bi-annually by the Council and it can submit questions to the other institutions involved in the process of European Union.
on all international questions of common interest….the adoption of final positions only after consultation with the other Member States….acceptance of statements by the Ten as a binding common basis.¹²³

Having dropped from the Community agenda during the 1970s, the goal of creating a European Union slowly re-emerged during the early 1980s. With high unemployment, sluggish growth and inflation continuing into the early 1980s, EC member states finally decided to turn their back on national solutions that were clearly failing to maintain the high standards of living that had been a long-time given in post-War Western Europe.¹²⁴ By 1981, the fact that the US and Japan were finally showing signs of recovery pushed the EC into the kind of decisive common action that had been absent for several years. As well as economic problems, the Community also suffered from institutional paralysis as the growth in membership from six to ten by 1981 had not been accompanied by a parallel change in institutions to cope with more states and interests. In sum, the economic, political and institutional crises of this period were well captured in the term ‘Euroschlerosis’, which was adopted by the media of the day.

Although the London summit attempted to re-launch the EU project on a more ambitious trajectory, it took several more years for tangible changes to occur and to be officially inscribed in the treaties. The next step was taken at the Stuttgart meeting of the European Council in June 1983, when the Ten agreed a ‘Solemn Declaration on European Union’ that emphasized the need for greater coherence and closer coordination

¹²⁴ In 1981, Community inflation rates stood at 12%, compared to 9.1% in the US and 4.5% in Japan. Similarly, EC GDP growth in 1981 was a mere 0.1%, compared to 2.2% and 3.6% in the US and Japan. Source: Nigel M. Healey, The Economics of the New Europe, Appendix tables A4 & A6.
between existing structures between the EC and EPC and prepared the way for the next step of enshrining political cooperation into a single treaty format.

The Declaration confirmed the dominant role of the Council in matters of political cooperation but, in the context of preparing a broader European Union, acknowledged the need to bring the other institutions of the EC into the process.\textsuperscript{125} Although in itself a small step, the Declaration represented an essential bridge between the 1981 Draft European Act and the Treaty amendments that were to follow in the Single European Act and the Maastricht Treaty.

\textbf{The Single European Act}

In 1987, the Single European Act (SEA) became the first new Community treaty to be signed by the then twelve member states of the EC\textsuperscript{126} since the Merger Treaty that united the executive of the ECSC, EEC and Euratom in 1967. After thirty years of existence, the Community had finally decided that the time had come to formalize the myriad of informal mechanisms and ad-hoc procedures that had been created, some of which had been in operation for decades. EPC featured prominently in this list. According to Nuttall, ‘The most significant feature of the SEA was that it was single: it combined in one legal text provisions for Political Cooperation and amendments to the Community Treaties, thus breaking the taboo of over thirty years.’\textsuperscript{127}

\textsuperscript{125} “The Heads of State or Government emphasise the importance of greater coherence and close coordination between the existing structures of the European Communities and European Political Cooperation at all levels so that comprehensive and consistent action can be taken to achieve European Union.” “The Solemn Declaration of Stuttgart”, 19 June 1983, in AG Harryvan & J. van der Harst eds. \textit{Documents on European Union} (New York: St. Martin’s Press, 1997) p. 214.

\textsuperscript{126} Belgium, Britain, Denmark, France, Germany, Greece, Italy, Ireland, Luxembourg, The Netherlands were joined in 1986 by Spain and Portugal.

\textsuperscript{127} Nuttall, p. 10.
The fact that the SEA could even be negotiated and accepted by the member states at this time signaled that the various institutions of the EC were actually functioning as intended and all had a stake in its success. Under the SEA, the Council achieved official recognition as the executive body of both the EC and EPC, the Parliament achieved advances in voting rights and co-decision making and the Commission took the initiative in planning the necessary legislation for the completion of a European Union and greater coordination and expansion of the diverse and fragmented EC policies.

As a sign of the new impetus, all three institutions produced draft treaties or reports to help define the shape of the future EU. In particular, the Commission, under the presidency of Jacques Delors, ensured that momentum was maintained by proposing common policy areas that would meet with the most support and remain true to the intentions of the Treaty. These included the internal market, monetary coordination and regional development. The SEA also formally recognized the gradual increase of Commission participation in the EPC process from initial estrangement to official incorporation.

Besides formally institutionalizing the European Council that had functioned informally since 1974 and preparing the groundwork for the internal market of 1992, the SEA officially recognized political cooperation among the member states as an integral part of the now imminent European Union, “The European Communities and European Political Cooperation shall have as their objective to contribute together to making

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128 In 1984, the Council commissioned the Dooge Report to clarify the “objectives, policies and institutional reforms which are necessary to restore to Europe the vigor and ambition of its inception.” In 1984 also, the Parliament adopted a draft treaty on European Union. In 1985, the Commission published its White Paper entitled “Completing the Internal Market.”
concrete progress towards European unity.¹²⁹

Within the text of the Act, the flow of history and the milestones of the long development of political cooperation dating back to the 1970s were recognized:

‘Political Cooperation shall be governed by Title III. The provisions of the Title shall confirm and supplement the procedures agreed in the reports of Luxembourg (1970), Copenhagen (1973) and London (1981), the Solemn Declaration on European Union (1983) and the practices gradually established among the Member States.’¹³⁰

This historic Treaty identified the common purpose of the Community and EPC and, while acknowledging their independent institutional foundations, branded them with a unified goal. At the time of the signing of the SEA, the official recognition of EPC and its potential contribution to a future European Union was not without controversy. However, if the planned European Union, with a population of over 400 million, was truly to play the role it had envisioned for itself in the world, political cooperation on foreign policy was essential. By including EPC in the SEA, the Community certainly had not rushed preparations to define a working system among the member states for political cooperation. As I have shown in this chapter, EPC was an idea dating back to the foundation of the EEC that only assumed its final character after passing through the slow grinding mill of political necessity and institutional conflict that has always been a hallmark of the Community.

**Conclusion: From Fouchet to Maastricht**

‘The breadth of the external activities of the Community was strikingly illustrated

by the Commission’s weekly briefing of 28 May 1992, reporting seven days in which
Commissioner Andriessen embarked on an attempt in Washington to press for a rapid
solution to the Uruguay round of GATT talks, President Delors began an official visit to
Moscow to open discussions on the future development of relations between Russia and
the EC, Environment Commissioner Ripa de Meana announced his refusal to go to the
impending UN Earth summit in Rio de Janeiro and Switzerland, Austria, Sweden and
Finland deposited a formal application to join the EC.\textsuperscript{131}

Following the failure of the divisive Fouchet Plan of the early 1960s, Foreign
Policy Cooperation underwent many re-launches and changes of direction, often
reflecting the degree of contemporary focus on Europe’s place in the world. Throughout
this period, while countless Community communiqués underlined its desire for greater
convergence in political cooperation and many small steps combined to advance the goal,
the lack of any defined end point allowed the timetable to follow its own schedule and
direction.

In 1969, The Hague summit recognized the need for a new approach to a grand
project as the Common Market neared completion and three new states were due to join.
As a result, it re-launched the concept of foreign policy cooperation to compliment
economic and monetary union by commissioning the Luxembourg Report on political
cooperation. The Report created a unique political structure, European Political
Cooperation (EPC), which was founded on intergovernmental principles and excluded
the EC institutions. EPC provided for bi-annual ministerial meetings of the Nine, the
creation of a Political Committee to prepare these meetings and the promise of a second
report to review progress and to submit new ideas. This report, the Copenhagen Report,
was published in 1973, seven months after the Paris summit of Heads of State in 1972,

\textsuperscript{131} Eileen Denza, “Groping Towards Europe’s Foreign Policy”, in Deirdre Curtin & Ton Heukels, eds.
575.
which reiterated the plan to enhance EPC as part of the European Union to be created by 1980.

Building on the Luxembourg Report, the Copenhagen Report provided for more frequent ministerial meetings on foreign affairs, the definition of new embassy functions within EPC and a direct communication system between national departments responsible for European policy.

Between the publication of the Second Report and the Document on European Identity in December 1973, EPC underwent particularly close scrutiny as part of the Year of Europe episode. Instead of remaining a purely technocratic issue, cooperation on foreign policy received renewed focus and was placed firmly on the plates of national leaders and their ministers as pressure from the United States was exerted at the highest level. Thanks to this higher profile, a new urgency was added to policy convergence and Europeans were forced to define their own identity before deciding on relations with the outside world. However, as the divisions between France and their partners at the Washington Conference in 1974 demonstrated, effective EPC still had a long road to travel.

On the invitation of President Giscard d’Estaing, the Paris summit of 1974 established the European Council, which was designed to facilitate regular meetings among national leaders to discuss issues of consequence to the EC and EPC. As part of this initiative, the Nine planned to develop an agreed diplomatic strategy in all areas of shared interest. The summit also commissioned the Tindemans Report, named after Leo Tindemans, the Belgian Prime Minister, to explore how steps towards a European Union
might be taken, including political cooperation.¹³²

Published in 1975, the Tindemans Report represented a blueprint for the creation of a European Union. According to the report, a genuine Union had to include a common foreign policy based on legal obligation as opposed to political commitment. In the context of the EC, legal obligation translates into treaty amendments. Though largely unimplemented for many years, the Tindemans Report helped lay the foundation for European Union when the opportunity was eventually grasped in the 1980s. In particular, its emphasis on legal obligation was finally delivered within the SEA.

At the 1981 London summit, the foreign ministers of the Ten recognized the foundation of EPC that had been explored in the Luxembourg and Copenhagen Reports and agreed on further enhancement of EPC. These improvements included the addition of crisis procedures enabling at least three member states to call a crisis meeting to be scheduled within 48 hours of notification and the association of the previously excluded EC Commission.

Two years later, the Council’s Solemn Declaration on European Union, designed to give a much-needed push to the, by now, old idea of a European Union, emphasized the role of EPC in this regard. The Declaration defined EPC as an essential component of the future Union and as a key step towards giving the Community a single voice in foreign affairs. In 1986, the SEA finally accorded the existing EPC framework a legal basis and definitively linked it with the EC structure by officially incorporating it into the Treaties. In 1992, five years after the SEA formalized EPC, the Treaty on European Union recognized the essential character of EPC within the new EU by adopting it as one

of its three pillars.

Though officially married into the EC family in the 1980s, EPC background dates back over several decades to the origins of the EEC. Through the years, it gradually and often painfully advanced from vague and ad-hoc proposals towards a legal obligation and detailed process among member states. Although the seeds of political cooperation were always embedded in the Treaty of Rome’s mission of ‘ever closer union’, the course of its actual development depended on the pressures and priorities at work among the Community members at any given time. One of the main vectors of change in EPC since 1969 has been the gradual convergence between the EPC structure and the EC institutional framework, especially the Commission, often forced by external circumstances. Despite being marginalized initially, the Commission’s persistence and expertise in economic and trade issues ensured that it could not be excluded indefinitely. By the 1970s, economic interest was closely intertwined with international political relations and the Commission represented too valuable a resource to ignore.

In particular, the fallout from the Year of Europe initiative forced European leaders to focus on the reality of Europe’s priorities and on just how their priorities differed from those of the United States. The uncomfortable truths that emerged from these deliberations exposed the gap that had grown between the Atlantic allies since the Second World War. In the space of 28 years, Europe had recovered impressively economically while living a charmed existence under the American security shield. When financial constraints and détente finally convinced the Americans to review this policy, they

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133 In explaining the convergence of EPC and EC structures, Nuttall states, “That this came about was in part owing to the fact that the two frameworks had been growing together, helped by the Commission’s full association with EPC since 1981…” Nuttall, p. 10.
discovered that the deflated and cooperative Europe of 1947 had suddenly grown almost unnoticed into a vigorous and assertive global competitor.134

Like a parent comforted by the memories of their offspring as an obedient child, the reality of a rebellious teenager before their eyes evokes both anger and disappointment. At an important juncture in post-war history, as the financial, economic and political worlds fused like never before and exploded through the crucible of the Middle East, the direction of European foreign policy was decoupled from its traditional subservient path towards a more independent and self-serving stance. Though still a work in progress, EPC represents one of the Community’s most complex and ambitious areas of cooperation and, in many ways, its most accurate test of maturity.

134 “For years the US has proclaimed its belief in a united Europe without thinking out what such a united Europe would really mean. They now find the development of the EC and the slow establishment of common European positions on major political issues unsettling fro their diplomacy.” AMU 3/304/8, Lord Cromer, Washington tel. 3752, 2 December 1973, DBPO, “Year of Europe”, Doc. 432, p. 1.
Chapter 4

The Trojan Horse Meets the Sacred Cow:
Reassessing the British Contribution to the EEC: 1961-1992

‘We are aiming at something far more than material prosperity. We see this leading to a greater political purpose for Western Europe. And if this purpose is to be realized, Britain must share it.’

‘No one involved in those negotiations [1970-72] ever underestimated the massive burden imposed upon the negotiators by the failure of our predecessors in the 1950s to have joined the Community at the outset…That fatal misjudgment…weighed on all our shoulders..’

‘Without [Thatcher’s] personal push and her readiness to accept a very big increase in majority voting in order to get the single European act implementable, it would never have happened. [Commissioner] Cockfield and his 300 draft directives [on the 1992 Single Market] wouldn't have passed, because there would always have been somebody who prevented them.’

‘British influence over 40 years has been incredibly strong. The French complain that the EU is too liberal, too Atlanticist, too open. That's because the British have embedded these ideas in Europe.’

Introduction

Since the accession of the United Kingdom to the EC in 1973, both media and academic coverage of the organization seems to have featured the words ‘Britain,

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2 David Hannay, Britain’s Quest for a Role: A Diplomatic Memoir from Europe to the UN (New York: I.B Tauris, 2013) p. 61.
‘awkward’ and ‘crisis’ with great frequency and in very close proximity. In truth, this strained post-1973 relationship is hardly surprising: it merely represents an internalized version of the already taut pre-1973 external relationship. From 1958 to 1973, the British may only have been an external observer but they still cast a long shadow over internal Community dynamics.\(^5\) When it comes to swimming against the current of European consensus or setting dramatic ultimatums during delicate Community negotiations, no other member state has excelled quite like the British at masterfully maintaining their aura of irascibility.

Of course, this reputation is nothing new as it pre-dates the very formation of the EEC. Having declined to join the six founding Member states in the late 1950s, the British government instead spearheaded the creation of a looser, more limited alternative organization called the European Free Trade Association (EFTA). However, just one year after the foundation of EFTA, the British Conservative government of Prime Minister Harold MacMillan discovered that their chosen alternative was proving a disappointment and, in a political U-turn, applied to join the EEC in 1961.\(^6\)

This first British application proved to be a failure, falling foul of president de Gaulle’s rebuff of January 1963.\(^7\) Though publically announced in January, the French

\(^5\) Even as an outsider, the oscillating British interest in joining the EEC constantly seeped into internal Community politics. In particular, the Benelux countries remained sympathetic to British membership as a counterweight to a domineering French influence.


\(^7\) De Gaulle focused on economic obstacles during his speech but many argue that wider geopolitical reasons were his main motivation for rejecting British membership. In his 2000 article in the Journal of Cold War Studies, Moravcsik highlights the commercial priorities of de Gaulle at this time. “De Gaulle between Grain and Grandeur: the Political Economy of French EC Policy, 1958-70”, (part 1) *Journal of Cold War Studies*, volume 2, issue 2, spring 2000. However, many other scholars, including Gillingham,
veto had been on the cards for several months. According to de Gaulle’s press conference on the issue, the British economy and trading traditions were still too incompatible with existing EEC member states, ‘In short, the nature, structure and economic context of England differ profoundly from those of the other states of the continent.’ His statement also emphasized the wider geopolitical danger perceived by him in allowing British and other states to gain membership so early in the EEC’s development, ‘…in the end there would appear a colossal Atlantic Community dependent on the US and under American leadership which would soon completely swallow up the European Community.’ Closely linked to their American cousins, de Gaulle felt that the British would represent a Trojan Horse imposing American interests within a still fragile European project, still in the process of establishing its sacred founding texts, the *acquis communautaire*.

After this refusal, the British were forced to wait in the wings and watch the gap between their economic growth rates and those of the EEC widen for the remainder of the decade. In 1967, four years after their first failed application, the British government, now controlled by Harold Wilson’s Labour Party, felt the tide had turned in their favor.”


10 “Press statement by French president Charles de Gaulle”, in Harryvan & van der Harst, cited, p. 135

11 Over the period 1961-1970, British GDP grew at an average annual rate of 2.9%, compared to the Community average of 4.8% over the same period. Nigel M. Healey, *The Economics of the New Europe*, table A4.
and once again applied for membership. De Gaulle was still president of France and as fervently opposed to British membership as ever but the bitter internal divisions exposed within the EEC during the empty chair crisis of 1965-66 offered some hope to the British government that France would not be allowed by its fellow member states to unilaterally decide Britain’s fate again. Nonetheless, the result this time was to be the same: President de Gaulle dismissed British economic and cultural compatibility and rejected their application once again. The double rejection suffered by Britain during the 1960s did not deter Her Majesty’s government from making a third, and ultimately successful, bid that saw them enter the EC, along with Ireland and Denmark, in 1973. Despite the success of the third bid, memories of the negative experience of the previous decade could not be erased and only served to prolong the particularly ‘awkward’ relationship that had developed between Britain and the Six from the late 1950s.

After joining in 1973, the British reputation for awkwardness only seemed to blossom, fueled by a fertile soil of global economic recession and fundamental philosophical differences on the future direction of the EEC. Long memories on both sides easily provoked mistrust once sensitive policy areas appeared on the Community

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12 In particular, the Dutch government resented French unilateralism and supported British accession. Following de Gaulle’s rejection of 1963, the Dutch foreign minister, Joseph Luns, stated that “What has happened is, for the Dutch delegation, for the Dutch government, and for the Dutch people, an event causing us profound disappointment and grave anxiety….what has happened today has made it a black day for Europe.” Harryvan & van der Harst, p. 140.

Stuart Holland, a former Labour MP and adviser to Harold Wilson, makes the point that the Luxembourg Compromise actually made the EEC more compatible with British priorities, reducing the role of the Commission and offering a national veto to Member states. He claims that he was “centrally involved in getting de Gaulle to say ‘yes’ to the second application to join the EEC”. See “Alternative Economic Strategies: Institutions, Individuals and Ideas”, Contribution to the workshop on Reassessing the 1970s, British Academy, 23 September 2009.

13 During his press conference of November 27, 1967, de Gaulle dismissed the second British application using rhetoric laced with characteristic thinly veiled condescension, “Certainly, those who, like me, have proved by their acts the exceptional esteem, attachment and respect that they hold for Britain, firmly desire to see her one day decide on and accomplish the immense effort that would transform her.” “France’s second rejection of British EEC membership”, Harryvan & van der Harst, p. 158.
agenda.\textsuperscript{14} Besides the obvious historical and political baggage that accompanied this proud former world power, the British relationship with the Community was always likely to be made more complicated by the strong leadership role played by France within the organization. Caught between its traditional role as a global player with close ties to the United States and the growing necessity to adapt to its diminished role within a bipolar world, Great Britain often appeared out of step and troubled by conflicting loyalties when dealing with its fellow member states.

In 1963 and 1967, the road to EEC membership was blocked by President de Gaulle, under the pretext of American interference by proxy, economic incompatibility and the role of the Commonwealth.\textsuperscript{15} But France was not always alone. Other member states felt that the EEC had put its own house in order first before considering new members. These points of order included the definition and launch of the extremely costly Common Agricultural Policy (CAP) as well as a self-funding mechanism that would ensure a secure, if miniscule, source of income for the Community of six.\textsuperscript{16} Despite these two rejections, the economic success experienced by the Community in the 1960s, exposing the relative economic and geopolitical decline of the British over the same period, suggested that a third application would only be a matter of time. With the General in Paris approaching his twilight years in the late 1960s, another opportunity was expected and soon appeared.\textsuperscript{17}

\textsuperscript{14} In particular, the enormous cost of CAP and Britain’s net budget contribution provoked British ire.
\textsuperscript{15} By 1967, decolonization had rendered the last issue less problematic while the first two remained genuine fears in European countries experiencing greater economic success.
\textsuperscript{16} In 1967, the CAP mechanism and the Community’s self-funding system were still subject to sensitive negotiations, only becoming finalized in 1969.
\textsuperscript{17} De Gaulle was already 77 years old in 1967 and his domestic authority was fatally weakened by his ineffective response to the May 1968 wave of protests in France.
Within a year of de Gaulle’s eventual departure from power, in 1969, France and the other five member states officially opened accession negotiations with Britain, Ireland, Denmark and Norway. By 1972, at the successful conclusion of accession negotiations, under the Conservative government of Edward Heath, Britain finally seemed to have reached the Promised Land of EC membership. However, as they and their fellow member states were to learn, the devil was in the details of their terms of accession. In 1969, four years before British accession, a definitive CAP system and an EC self-financing mechanism had been agreed among the original six member states and became part of binding Community rules, imposed on all existing and future member states.

By joining only in 1973, the British had missed the chance to shape some fundamental Community pillars and had little choice but to accept what was known as the *acquis communautaire* as the price of membership.\(^{18}\) This price proved particularly expensive for the British government and set a negative tone from the beginning. Over the following decade, the British government’s attempts to renegotiate the financial aspects of its accession agreement only exacerbated the negativity and, as a result, the EC often became paralyzed by a series of bitter diplomatic and political battles.\(^{19}\) A legacy

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\(^{18}\) Perhaps the most controversial aspect of the *acquis* was the Common Fisheries Policy, agreed among the Six the very day negotiations opened with the new applicants in 1970. In effect, the applicant countries, whose territorial waters produced double the total fish catch of the Six at the time, were excluded from significant and binding fishery policy decisions. According to David Hannay, “It was a scandalous thing to do, but we were caught napping….So for the Six to lay down what the policy was going to be just before we started negotiating without asking us what we thought the policy was going to be was an act of great irresponsibility…” See David Hannay Interview, Churchill College Cambridge, BDOHP, Interview No. 38, p. 7, [http://www.chu.cam.ac.uk/archives/collections/BDOHP/Hannay.pdf](http://www.chu.cam.ac.uk/archives/collections/BDOHP/Hannay.pdf) (14 January 2013).

\(^{19}\) “[Prime Minister Callaghan] said that Britain could not agree to become the largest contributor to the budget when it was seventh in the economic league table of Community members.” The Times, 14 Nov. 1978, quoted in Stephen George, *An Awkward Partner: Britain in the European Community*, (New York: Oxford University Press, 1994) p. 133.
from the Heath government’s anxiousness to enter the EC at almost any cost, the high net British budgetary contribution reflected two of the key structural differences between Britain and its fellow member states.

First, the annual budgetary payments made by member states to the EC partly came from duties levied on non-EC imports applied at the point of entry into the Community. As a traditional major importer of such goods, relative to the other eight member states, the British were obliged to pay a significant amount to Brussels. In times of economic hardship, this became a difficult obligation to justify to the British public.

Second, with a relatively small and efficient agricultural sector, the British farming population only qualified for small CAP support, a Community policy using over 90% of the entire EC budget expenditure in 1970. As the economic consequences of the oil crisis and global recession began to impact the British economy in the mid 1970s, the British government felt increasing pressure to modify both the budgetary rules and the CAP mechanism. However, having spent most of the previous 15 years framing the system, the original Community members strongly resisted such a revision and felt the British were showing little respect for the *esprit communautaire* in resisting a system that was a clear part of their conditions of accession.

In this context, further integration and cooperation among the member states often became a hostage to British demands for a resolution of their budget issue. Only after

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20 In 1970, the entire EC budget amounted to 3.256 billion units of account, of which 3.049 billion (93%) was allocated to the CAP. *European Commission, Third General Report on the Activities of the Communities, 1969*, (Luxembourg: Commission, 1970) p. 323.

21 Sometimes the British reputation was exploited by other member states for their own advantage. “Up to the end of 1973, the German and French Governments were officially putting pressure on Britain and Italy to reintegrate their currencies into the snake; but it was reported that Finance Ministers were privately discouraging fixing of parities.” Stephen George, *An Awkward Partner*, p. 69.
an acceptable solution was finally agreed in 1984, as part of a wider push towards
reviving the integration process at the Fontainebleau summit, was the window opened for
rapid and far-reaching measures of economic and political integration, paving the way for
the Single European Act (SEA) and the Treaty on European Union.\textsuperscript{22} Despite this
eventual solution, the British reputation for awkwardness and their prioritization of
national goals over Community ones was firmly established among their peers. While all
member states were expected to fight their corner in Community exchanges, the British
just seemed unwilling or unable to adopt an established Community tradition that
negotiated a balance of national advances and concessions for the sake of the Community
as a whole. Judging from the first two decades of British membership, the General may
have been right after all regarding British involvement in Europe: at first glance, they
seemed to have difficulties integrating a continental club from which they were culturally
divergent and with which they were economically uncoordinated and politically
uncooperative.

While there is no doubt that the British encountered both cultural and political
difficulties in adapting to Community life\textsuperscript{23} and often obstructed common policies that
they perceived as overreaching, it is perhaps too simplistic to paint a totally bleak picture
of their overall contribution to the development of the EC in the 1970s and 1980s. After
all, as the Empty Chair crisis in the 1960s clearly demonstrated, awkward partners and

\textsuperscript{22} The Single European Act was signed in 1987 and the Treaty on European Union in 1993.
\textsuperscript{23} Peter Hall, former first secretary to the permanent British delegation to the EEC, summed up this
cultural contrast, “There is an element of theater about these debates. It is not entirely part of the British
political culture but it is certainly part of the continental European part….you have to be able to play your
part, your role, to inject a degree of, when necessary, drama and passion into the argument rather than
simply repeating the fact that we want eleven and a half percent of whatever it is.” See Peter Hall interview,
BDOHP, p. 22.
national objections were well-established components of the Community’s *modus operandi* long before the British arrived.24

To obtain a more balanced view of the broader British contribution to Community development, one has to look beyond national political leaders and members of government who have dominated the headlines since 1973. Even the most renowned anti-Brussels prime minister, Margaret Thatcher, still pursued increased Community integration in selective policy areas.25 Partly due to its unique hybrid structure that meshes intergovernmental and supranational bodies, the EEC has always offered significant scope for non-government actors, regardless of their nationality, to influence Community policy development and institutional reform. For example, Jean Monnet never contested an official election in his life yet remained an influential figure among European policy makers well into the 1970s.26 Though less beatified in federalist circles than Monnet, many British citizens have also contributed to increased Community integration over the years, even when this role has entered them into conflict with their home government. Their contribution has been rather neglected when defining the wider British contribution to the EC since 1973.

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24 In 1965, following de Gaulle’s refusal to accept the introduction of limited majority voting in the intergovernmental Council and increased Community budget control by the supranational Commission, both defined in the Treaty of Rome, France boycotted official Council meetings until they achieved the recognition of Member state veto power on issues of national importance. This “Luxembourg Compromise” diminished Commission power to the benefit of intergovernmental bargaining.

25 The Single Market in goods and services, portrayed as the beginning of a new era in European integration, was a top priority for Thatcher and her government long before it became a reality in 1992.

26 Michael Butler, posted at the Paris embassy in 1961, confirms that he and the ambassador used to visit Monnet at his apartment to discuss French attitudes regarding the first British application. See Michael Butler interview, BDOHP, p. 10. Also, Commission President Jenkins (1977-1981) consulted Monnet on EMU as late as 1977. See Roy Jenkins, *A Life at the Centre*, (New York: Macmillan, 1991) p. 463.
The Long Application

In many ways, the British accession negotiations to the EEC did not start and stop following the application failures but instead proceeded continuously over 11 years: from 1961, when the first application was announced by the MacMillan government, to 1972, when entry was finally ratified by the House of Commons and the governments of the other member states.²⁷ Although each of de Gaulle’s vetoes removed the process from the public eye, the work behind the scenes remained constant within a small group of British civil servants. Even when official British government policy favored placing another EEC application on the back burner, communication with the Six did not cease.²⁸ As a result, when the third application was announced in 1970, the Heath government was not operating in a vacuum but actually capitalized on almost a decade of detailed and arduous negotiations between the British government on one side and the Commission and governments of the Six on the other.

During the 1961-63 negotiations, which was led at ministerial level by the then Lord Privy Seal, Edward Heath, much of the issues related to the interests of the Commonwealth.²⁹ Though the bulk of the negotiations on highly technical issues were conducted in Brussels, it was clear that the political and decisive decisions were being taken elsewhere. Once de Gaulle announced his public opposition in 1963, there was no

²⁷ “Britain’s first application should perhaps be seen as the beginning of a carefully elaborated and well-prepared process which was finally to mature when Britain entered the European Community in 1973” Kristian Steinnes, “The European Challenge: Britain’s EEC application in 1961”, Contemporary European History, volume 7, issue 1, March 1998, p. 79. This was explicitly the case between 1967 and 1972, “The British application for membership of the European Community which was made on 11 May, 1967 led over three years later to the negotiations which began in June 1970 and ended in January 1972. There was no discontinuity between this application and its success, or between the policy of the successive British administrations which made it,” Con O’Neill, Britain’s Entry into the European Community, p. 9.
²⁸ Hugo Young, This Blessed Plot: Britain and Europe from Churchill to Blair, (New York: The Overlook Press, 1999) p.182.
²⁹ See Juliet Campbell interview, BDOHP, p. 8.
real purpose to continuing technical negotiations. Though these negotiations may have paid dividends in the long-term, in 1963, it seemed like a wasted opportunity and an incredibly divisive issue between the French and their Community colleagues. According to Juliet Campbell, who was a member of the British delegation in Brussels during the negotiations, the French veto placed them, the French, in an extremely embarrassing position among their peers.\(^{30}\)

Her colleague, and later First Secretary to the British permanent representation to the EEC, Peter Hall, reflected the views of the more optimistic faction within the Foreign Office when he stated that de Gaulle may have had a point concerning British incompatibility in 1963 and this was used as a motivating force in repositioning British priorities away from the Commonwealth and towards Europe during the 1960s.\(^{31}\)

Despite the failure of the first application, the British connection with the EEC continued in several ways. Two British Foreign Office officials in particular, John Robinson\(^ {32}\) and Con O’Neill\(^ {33}\), represented the constant link between the British government and the EEC throughout the 1960s. Moreover, both were symbols of the

\(^{30}\) “But all of the other five made it clear that they were deeply unhappy about this [de Gaulle’s veto] and when the meeting came to an end..all the other five came and shook Heath’s hand…. [French Foreign Minister] Couve de Murville and Wormser sat there in their seats, extremely uncomfortable..highly embarrassed.” Juliet Campbell interview, BDOHP, p. 12.

\(^{31}\) “It could be argued that in our first attempt we were trying to hang on to too much of our post-Empire baggage to make it.” Peter Hall interview, BDOHP, p. 18.

\(^{32}\) Robinson started his European career in the British embassy in Paris in 1957 before moving to Brussels in 1961 as part of MacMillan’s negotiating team. Young, p. 174.

\(^{33}\) O’Neill was head of the UK diplomatic delegation to the EEC in 1963. On Robinson and O’Neill, Young states, “These two men had as much as anyone to do with keeping alive the conception that Britain belonged in the Common Market.” Young, p. 179. “The key figures were him [O’Neill] and at a slightly lower level, John Robinson and Michael Palliser.” Sir Stephen Wall, interview with author, 17 February 2011.
new generation of British civil servants growing in influence in the Foreign Office during the 1960s. According to Young:

‘Emerging here, in short, was a new, younger breed of Foreign Office orthodoxy, to replace the old skepticism…By 1963, a corps of diplomats was present in and around the Foreign Office who saw the future for both themselves and their country inside Europe. The interests of their country and their careers coincided.’

Indeed, Young even refers to Robinson as a ‘legend’ for his role within the negotiations that finally secured British entry into the Community. According to Con O’Neill, Robinson was ‘the man who did most for many years by rigorous argument and strong determination’ to get Britain into the Community.

Originally part of the Macmillan negotiating team, led by Edward Heath, Robinson remained in Brussels after the first failure in 1963 to maintain lines of communication. In a profession where tours of duty typically last a handful of years, Robinson’s tenure in Brussels for a decade symbolized his motivation to keep the channels open but perhaps also the lack of motivation among his superiors to move him. Within the walls of the Foreign Office, other young diplomats also began to show an interest in the EEC project. For most of them, this course of action was not necessarily based on a passion for the Community itself but instead on a mixture of beliefs that no better option existed and that the EEC could help serve personal ambitions. Although none of them were yet senior enough to dictate Foreign Office and

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34 Others included Michael Butler, first secretary in Paris and ambassador to the EEC under Margaret Thatcher, Michael Palliser, FO Secretary to Harold Wilson 1964-69 and Paris Embassy head of planning staff and Crispin Tickell, later secretary to Commission president Jenkins.
35 Young, p. 178.
36 Con O’Neill, Britain’s Entry into the European Community, p. 6.
37 According to Young, Europhiles were allowed control of the “Europe playground” due to lack of motivation by others rather than an active FO policy. Young, p. 180.
government policy in the early 1960s, their gradual rise within the ranks represented an eventual challenge to the future direction of British foreign policy.

Unlike many of their superiors, some of whom mistrusted the intentions of a continental organization based on the Schumann plan and the Messina Conference, this new generation recognized the diminishing role of the Commonwealth, the inequality of the special relationship with the United States and the increasing importance of Europe as both an economic partner and a regional political vehicle with the potential to address the Superpowers on equal terms. This new generation could certainly not be described as federalist in the sense of promoting supranational goals for Europe. They still placed British interests first but crucially saw the EEC project as a series of tradeoffs under which the control surrendered by Great Britain was more than balanced by influence at an increasingly powerful table.38

After the 1964 election, the newly-elected Labour government seemed to have little interest in pursuing a further application, as Prime Minister Wilson continued to insist on the five preconditions, established in 1962, to be achieved before even considering another attempt.39 Nonetheless, O’Neill and Robinson’s efforts to remind Community members of British interest continued on the continent. For example, in 1966, with official Foreign Office approval, O’Neill made a public speech in the Netherlands outlining British attempts to closely follow Community developments and

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38 Often overlooked within the EEC structure, was the greater degree of responsibility, compared to the domestic situation, placed on lower-level diplomats within national delegations around the EEC table. Clearly, this aspect of Community life was attractive to ambitious but junior Foreign Office officials sent to Brussels. “There is such a constant process of detailed negotiation going on that you are actually negotiating for your country at first secretary level, which almost never happens at any other capital one can think of.” Peter Hall, interview, BDOHP, p. 20.
39 The five conditions were binding Commonwealth safeguards, freedom to pursue an independent foreign policy, EFTA pledges, the right to plan the British economy and guarantees for British agriculture. Young, p. 182.
expressing optimism concerning the desire of the British public to forge closer links with the EEC.\textsuperscript{40} In January 1966, on the advice of his Secretary of State, George Brown, the Prime Minister commissioned a secret committee to examine the economic impact of EEC membership on Britain. The Roll Steering Group, named after Eric Roll, the permanent secretary at the Department of Economic Affairs, was composed of senior officials from various departments and had strict instructions not to inform government ministers of their existence or their discussions.\textsuperscript{41} According to Brown, the purpose of the group would be to organize ‘some very quiet work that would make it easier, as and when we would wish to consider these matters among ourselves, to have official advice available without too much delay.’\textsuperscript{42} Even though the Roll Report explicitly recognized the political ambitions of the EEC Treaty and senior ministers spoke openly of sharing in political union, Wilson, and indeed many of his successors in Downing Street, chose to underplay the political aspect of European integration for the sake of domestic political stability.\textsuperscript{43} When it finally wrapped up its work in April 1966, the Roll Group offered a cautious but positive approach to EEC membership based on economic realities of British

\footnotesize{\textsuperscript{40} Young, p.185.  
\textsuperscript{41} Officially entitled “Future Relations with Europe”, the Roll report recommended waiting for Britain’s economic health to improve before applying. The report states that, “Most members of the Community and the Commission have been inclined recently, even in the case of those governments who wish for our membership, to maintain that the earliest possible date for British adhesion is likely to be late in 1967 or in the course of 1968.” “Future Relations with Europe”, 5 April 1966, p. 2, PREM 13/205, TNA.  
\textsuperscript{43} A close reading of the Treaty of Rome and the already significant decisions of the European Court of Justice should have indicated the potential dangers to Wilson. “It was always clear that the European Community’s purpose was political and not just economic…..the theory now put about that somehow or other everyone was misled or failed to understand or whatever it was, I am afraid is not true.” David Hannay interview, BDOHP, p. 11.}
decline and political opportunities on offer as part of a genuinely global power.\textsuperscript{44} The Prime Minister maintained an inconsistent approach to the European question throughout his career, a conduct quite in line with his renowned aptitude for political calculation. However, the fact that he was leading his country towards membership, and would not take ‘no’ for an answer, demonstrated that if he was not necessarily a Europhile at heart, he was at least a supporter of membership based on political calculation and economic necessity.\textsuperscript{45}

The gradual change of tune at government level between 1964 and 1966 resulted from several factors. First, by 1966, Commonwealth trade with Britain was declining, British support of undemocratic regimes in Rhodesia and South Africa weakened its authority and decolonization and the non-aligned movement slowly helped detach former colonies from the bonds of unity.\textsuperscript{46} According to Wilson, Britain’s loyalty to its Commonwealth partners should not be taken for granted as several of them had not been demonstrating much loyalty in recent years. He cited Australian preferences for American aircraft and Canada had taken no action to redress Britain’s trade imbalance.\textsuperscript{47}

In the absence of a strong Commonwealth and a useful presence beyond the

\textsuperscript{44} On economic grounds, the report stated, “…only the EEC offers us the prospect of integration in conditions of partnership rather than subordination.” CAB 132/2705, found in Wall, \textit{The Official History}, p. 117.

\textsuperscript{45} “Wilson was a committed European of the head and worked out that there was no alternative.” Perhaps more revealingly, according to Stephen Wall, when interviewed by Harold Wilson for the post of FO private secretary, Michael Palliser told the prime minister, “There is one thing you ought to know about me, I’m a very convinced European.” Wilson is said to have replied, “Well, in that case, you and I should have no difficulty getting on.” Sir Stephen Wall, interview with author, 17 February, 2011.


\textsuperscript{47} Stephen Wall, \textit{The Official History of Britain and the European Community}, p. 200.
Mediterranean, a new throw of the dice towards the EEC seemed a growing possibility if Britain was to retain any hope of a global influence.  

Second, the Wilson government precondition of freedom to plan the British economy began to seem less of an issue within a post-Luxembourg Compromise EEC. With the pendulum of power within the EEC swinging away from the Commission and back towards national governments of the member states, the British determination to plan their national economy did not seem out of place in Europe. In France, de Gaulle was already orchestrating national plans and even controlling French inflation rates by limiting the ability of large firms in France to increase prices beyond macroeconomic government targets. Through these *contrats de programme*, the French government attempted to harness the power of public and private sector firms to further its national policies on long-term investments and regional development, the latter also being a strong priority of the British government under Labour.

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48 As British delegates at the Kennedy Round of GATT negotiations in the mid 1960s struggled to influence an agreement increasingly shaped by three regional powers, the United States, Japan and the EEC, David Hannay comments that “It was a salutary lesson in how Britain’s exclusion from the European Community and the weakness of our economy had left us with a very diminished capacity to influence the outcome of major international negotiations.” See David Hannay, *Britain’s Quest for a Role*, p. 40.

49 The Commission did not lose its Treaty-based monopoly of policy initiation and gradually returned from its marginalization. According to David Hannay, “The Commission suffered some collateral damage from the outcome, though not of a fatal or long-lasting kind.” Also, “And the Commission re-emerged as a power house of new policy measures, including the conversion of the common market into the single market.” See David Hannay, *Britain’s Quest for a Role*, p. 38.

50 “I think that they [Labour leaders] believed something that was quite different from what was actually the case…Wilson tells his cabinet that the way the European Community works has changed, it’s much more pragmatic and the Commission are much less powerful than they were. I think that they underestimated, first of all, the power of the Commission and secondly, I think they seriously underestimated the role of the European Court…I don’t think they were just thinking one thing and telling the public another. I think they genuinely convinced themselves.” Sir Stephen Wall, interview with author, 17 February 2011.

51 According to Stuart Holland, the French dedicated significant resources to this form of macroeconomic planning, “The scale of this operation within the Finance and Economy Ministry was striking. Half of its senior staff was engaged in planning agreements with leading firms.” See Holland, “Alternative Economic Strategies..”, p. 7.
Even the Commission appeared to be promoting a joint macroeconomic planning approach at this time. In March 1966, just two months after the Luxembourg Compromise was agreed, Commission vice president, Robert Marjolin published a report, called the Medium Term Economic Policy report, that advocated joint macroeconomic planning as well as European industrial, social and regional policies. According to Stuart Holland, the European focus on joint national planning at this time mirrored the existing British policy and would benefit Britain, ‘I advised Wilson through [Thomas] Balough that this not only was entirely compatible with Labour’s National Plan, but that joint planning and macroeconomic policies at the European level, especially with mutual currency support, could reduce pressure on sterling, while common industrial, social and regional policies could potentially transform the otherwise neoliberal ‘negative integration’ agenda of the Treaty of Rome.’

Third, under Wilson, the ‘special relationship’ with the United States became less of a priority. In particular, Wilson’s refusal to send any troops to Vietnam ensured a frosty relationship with President Johnson. In any case, the Americans consistently supported British accession to the EEC and were unwilling to offer any realistic trade alternative.

Fourth, de Gaulle’s behavior within NATO, first removing France from integrated military command in 1966 and then pursuing an independent diplomatic policy with the

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54 Under President Nixon, the generally supportive US government approach of the previous administrations towards European integration and British membership continued. In the document submitted to Congress by Nixon in 1970, entitled “US Foreign Policy for the 1970s: A New Strategy for Peace”, he states “We consider that the possible economic price of a truly unified Europe is outweighed by the gain in the political validity of the West as a whole...” PREM 13/2550, found in Wall, p. 353.
USSR, caused friction with West Germany and other NATO members of the EEC. In this respect, the consequences of decisions taken by France in the context of the Cold War had spilled over into EEC business, where security and defense was not even a sphere of competence. In a visit to London in May 1966, German Chancellor Ludwig Erhard offered some hope of flexibility on conditions of accession from the EEC if the British applied within a few years. Placing the view in the context of de Gaulle’s divisive behavior within NATO, the Chancellor stated that ‘...he did not agree with the French president that the Six’s arrangements must be accepted to the last comma by all others. He recalled that in the history of European negotiations, the formation of the EEC was reached as second best, after attempts at wider unity had failed.’ At this point, the United States government also saw the NATO crisis as inseparable from Britain’s relations with the EEC.

Finally, the British economy suffered from increasing balance of payment deficits through the 1960s. The causes of this crisis were mainly long-term: British industry had become inefficient, investment had slowed and productivity had declined. In the short-term, no solution offered grounds for optimism. Import controls would not be

55 Chancellor Erhard, “Visit to London of Federal German Chancellor”, p. 6, May 1966, GCV (66), PREM 13/906, TNA
56 US Senator Frank Church, visiting Wilson on behalf of the Senate Foreign Affairs Committee, told the prime minister that “...it seemed to him difficult to isolate the NATO problem from that of the EEC and Britain’s relationship to it.” “Record of Meeting between the Prime Minister and Senator Frank Church”, p. 1, 10 May 1966, PREM 13/906, TNA.
57 In a letter from Paris ambassador Patrick Reilly to Chancellor of the Duchy of Lancaster, George Thomson, dated 3 June 1966, Reilly states that British economic woes cannot but delay accession. “We need time for a substantial recovery in our economic position and our balance of payments before we enter the EEC. I suppose that it must be at least two to three years before we can expect to enter.” He also commented on internal EEC obstacles slowing down the process, “The Six still have a lot of work to do on their own problems and I would suppose that none of them would be ready to start negotiating until autumn at the earliest.” “Letter from Ambassador Patrick Reilly to Chancellor Thomson”, p. 3, 3 June 1966, PREM 13/906, TNA.
tolerated in a capitalist world increasingly focused on lower international tariffs.

Deflation risked the return of massive unemployment and the ruin of the Labour Party. The final option, devaluation, also carried serious risks but was seen as the least destructive. In such dire circumstances, membership of the EEC became a more appealing prospect. If successful, it would help rescue sterling’s balance of payments crisis and boost the image of Britain and Wilson’s government abroad. Consequently, on 10 November 1966, Wilson announced to the House of Commons that he and his Secretary of State for Foreign Affairs, George Brown, would embark on a tour of European capitals to ‘probe’ Member state governments on the prospects for a second British application to join the EEC.

Before the Prime Minister and Foreign Secretary Brown embarked on their tour of EEC capitals to probe governments on the potential for British membership, Wilson’s rhetoric began to change from pro-Commonwealth pronouncements to reminders of the close historic bond between Britain and Europe. Government priorities, at least the leader’s priorities, had shifted in the face of economic and geopolitical realities and Foreign Office pressure. Regardless of the reasons for his turnaround on the issue, Wilson faced strong opposition even from within his cabinet and party.

Despite internal divisions, Wilson officially announced the government’s intention to apply for membership on 2 May, 1967 by dramatically stating that this was ‘a

58 According to David Hannay, First Secretary to the UK Delegation to the European Communities between 1965 and 1970, “The basic economics of the situation were that Britain was, even outside the European Community, more and more dependent on its trade with Europe and less dependent on its trade with the old Commonwealth in particular.” See David Hannay Interview, BDOHP, p. 7.
59 Tony Benn, Barbara Castle and Denis Healey were main opponents of accession within Wilson’s cabinet. According to Holland, “By applying he appeased the Labour Right including nearly half of the cabinet who had been pressuring strongly to join. By failing, he avoided a collision with the Labour Left which was opposed to entry.” Holland, “Alternative Economic Strategies...”, p. 14.
historic decision which could well determine the future of Britain, of Europe and, indeed of the world, for decades to come. The decision was officially approved by parliament on 11 May. Clearly, the main obstacle remained de Gaulle, who did not hide his skepticism about Britain’s ability to distance itself from the United States and solve its financial crisis. In the end, economic events undermined British aspirations and strengthened de Gaulle’s hand. In November 1967, Britain was forced to devalue sterling after it ran foul of market speculation. Wilson had hoped to keep the economic ship afloat until accession was achieved but instead it provided the final nail in the coffin of his application. Days after the forced devaluation, de Gaulle addressed another press conference to deliver a further lengthy analysis of why Britain was still not a true European state and why he was again obliged to veto its application. Crucially, unlike in 1963, the British chose to leave the application on the table in 1967. When the next opportunity arose, it would just have to be reactivated.

While the veto might have cut short British ambitions, the emerging Europhiles within the Foreign Office took Wilson at his word when he claimed that he ‘would not take no for an answer’.

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61 On 10 May, 1967, the House of Commons had passed the motion “That this House approves the statement contained in the Command Paper, Membership of the European Communities” (Command Paper No. 3269) by 488 votes to 62. See Con O’Neill, Britain’s Entry into the European Community, p. 9.
62 According to Con O’Neill, “On November 18 sterling was devalued. This event, and the British economic weakness which it acknowledged, much strengthened the hand of the French Government in their resistance to the opening of negotiations.” O’Neill, Britain’s Entry into the European Community, p. 11.
64 According to Wall, this formula served both as a useful sound bite and the “implication that de Gaulle would not be there forever and that the British application would, if need be, endure until after he had gone.” Wall, p. 210.
Wilson’s Foreign Office private secretary, Crispin Tickell was head of Chancery in Paris and John Robinson was appointed head of the European Integration Department within the Foreign Office in 1968. Meanwhile, Sir Christopher Soames became British ambassador to France in 1968, just as the long de Gaulle shadow was fading over French society and politics. While all these individuals could not be credited with turning the tide towards British membership of the EEC on their own after 1967, they undoubtedly contributed to moving their country into a position where political opportunities favoring this goal could be exploited. In particular, the British government took advantage of close contact with EEC Member states within the Western European Union (WEU) to press their case after 1967. The WEU at this time grouped all members of the EEC plus Britain in a loose association, unrelated to the EEC, focused on issues of defense within the context of the Cold War. This was the vehicle in July 1967, at a meeting held at The Hague, that Foreign Secretary George Brown used to officially present the second British application to senior members of the EEC Commission who were observing.

The growing role of the Foreign Office European faction in demonstrating British seriousness over Community membership became evident in a series of diplomatic events that played out in 1969. In February of that year, in what became known as the ‘Soames

65 Michael Palliser joined the Diplomatic Service in 1947, served as Head of the Policy Planning Staff, Private Secretary to Prime Minister Wilson, Minister at the British embassy in Paris and Permanent Representative to the European Communities. He was married to the daughter of Belgian statesman Paul-Henri Spaak, Marie Marguerite Spaak. Crispin Tickell served in the Diplomatic Service in The Hague (1955-58) and Paris (1964-70) before becoming Private Secretary to the Chancellor of the Duchy of Lancaster, Geoffrey Rippon, during accession negotiations in 1970 and later Chef de Cabinet to Commission president, Roy Jenkins.

66 According to George Brown’s memoir, he appointed Soames to Paris in 1968 to counter a problem of diplomatic stagnation. “We had a lot to overcome in our relations with France. One problem was to remove a kind of arid frigidity which seemed to have settled down over all official relations between Britain and France…in addition, he had the inestimable advantage of having Mary Churchill as his wife…” The Sunday Times, 25 October 1970, found in European Commission Historic Archives (ECHA), BAC 3/1978, No. 568, 1970, p. 304.
Affair’, president de Gaulle confided his thoughts to the British ambassador on an alternative organization to the EC in which the British might play a key role. Unlike the Community, this new entity would be founded on a loose relationship of European states, independent of American influence and devoid of any supranational obligations. Considering de Gaulle’s known dislike of the EC structure and his traditional disdain for American influence in Europe, this plan was taken more seriously than a casual conversation might otherwise have been. When the full extent of his proposals was clear to the British, two basic interpretations became clear among politicians and officials.

First, this could represent a serious proposal and a useful opportunity to undermine the EC, which had been developed without British input and contained objectionable policy directions, such as CAP and social reforms, in favor of a new organization allowing greater British influence. Alternatively, de Gaulle may have been trying to trap the British government into announcing an alternative to the EC, before withholding public support if the British chose to discuss the option openly. In this case, British credibility would have been destroyed among the EC member states and their future application placed in jeopardy. In dealing with this crisis, John Robinson and his new department played a crucial role in influencing official government policy away from sabotaging the EC structure.

In a comprehensive report sent from Robinson’s department to the Prime Minister and circulated to all British embassies, Robinson exposed the hitherto secret French proposals and delivered the report in a way that left little doubt as to de Gaulle’s anti-
communautaire objectives. Within a week, Wilson had informed the German government and soon after, details of the Soames conversation became public. Once out
of the box, the plan was impossible to take seriously as the French government was forced onto the defensive. In one bold move, the European Integration Department had succeeded in convincing the government to make a serious gesture of support for the EC, which had the added benefit of confirming de Gaulle’s duplicity among his Community peers. Luckily for Robinson, de Gaulle was soon to be forced from office so the aftermath of the Soames Affair was more limited than it might have been. According to Con O’Neill, the entire episode worked in Britain’s favor, ‘Nevertheless, it led to a somewhat strange, and from our point of view a definitely helpful, development in the later attitude in some of de Gaulle’s most loyal supporters, both Ministerial and official.’ Later, when the next opportunity arose to join the Community, the British case was undoubtedly helped by their pro-EC behavior during the Soames Affair and of course the departure of president de Gaulle. Although the Gaullists in France still resented the British role in the entire controversy, once the presidential election of 1969 brought Georges Pompidou to power, many of de Gaulle’s most loyal followers, especially former Prime Minister, Maurice Couve de Murville, disappeared from senior politics.

**Negotiations Overview, 1970-72**

The path to a third British application was officially opened in The Hague summit of EC leaders held in December 1969. This summit provided the newly-elected president

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67 De Gaulle finally resigned from power in April 1969, following defeat in a referendum on government reform but also presented as a referendum on his own future as president. “General de Gaulle saw the issue as so crucial that he tied his own future to that of the referendum result. It turned the campaign into a vote of confidence in the General himself.” “1969: President Charles de Gaulle Resigns”, On This Day, 2007 <news.bbc.co.uk/onthisday/hi/dates/stories/april28> (12 January 2013).

Pompidou and German Chancellor Brandt with their first major opportunity to define a new approach to Europe. With French demands soon to be satisfied regarding CAP and Community self-funding, the summit’s communiqué announced, ‘…the Heads of State or Government have indicated their agreement to the opening of negotiations between the Community on the one hand and the applicant States on the other.’ Since the British application had been left on the table since the 1967 failure, there was no third separate application made, merely a reactivation of the second.

During 1970, the Six prepared a common position on negotiations with Britain and the other applicant states, Ireland, Denmark and Norway. In Britain, the Labour government took the first concrete steps towards membership by publishing a White Paper on the economic costs of entry and named the negotiation team. By common consent, official negotiations were due to begin on 30 June, 1970 in Luxembourg. However, a British general election took place on 18 June, resulting in a Conservative majority and therefore a new Conservative government under Edward Heath. While the administrative section of the negotiation team remained the same, the new Chancellor of the Duchy of Lancaster, Anthony Barber, briefly replaced the outgoing George Thomson. Within a month, Barber was in turn replaced by Geoffrey Rippon.

Under Heath, the Conservative Party was led by a man publically willing to display his support for EC membership. Unlike Wilson, who used the issue for domestic

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69 “Final communique of the meeting of the heads of state or government of the EC countries”, The Hague, 2 December 1969, Bulletin of the European Communities, 1970, no. 1, pp. 11-16. Con O’Neill also confirms that, “…it was in fact The Hague meeting that opened the way to success.” Britain’s Entry into the European Community, p. 15.

70 The White Paper was entitled, “Britain and the European Communities: An Economic Assessment” and the negotiation team was headed by George Thomson, Chancellor of the Duchy of Lancaster, and Con O’Neill.
political purposes and had to be convinced of the merits of accession, Heath had always been more dedicated to European relations than to either the Commonwealth or the Atlantic relationship. Indeed, his first speech as an MP had criticized the Labour government’s negative reaction to the Schumann Plan, the inspiration for the creation of the European Coal and Steel Community (ECSC) in 1952.\textsuperscript{71}

The negotiation process that began in June 1970 was long and tedious, often punctuated by delays as the Six, unlike in 1961-63, had decided to present a common front in 1970. This approach required frequent consultations while the applicant states waited. For Britain, the main obstacles in 1970 were the treatment of New Zealand dairy produce, Caribbean sugar and the status of newly-independent ex-colonial states.\textsuperscript{72} All of these issues reflected the traditional role of Britain as a global trading center and a former colonial power. If Britain was to become a member of the Community, the latter could not avoid becoming more involved in global trade and politics than it had been until then, which would have clear consequences for its subsequent role in the world. As for Britain, its success depended on balancing its global responsibilities while demonstrating its European credentials.

Until May 1971, the negotiations were stalling, mostly due to a hard line approach from the French delegation and British concerns over what they saw as excessive budget payments. Pompidou did not practice the stonewall diplomacy of de Gaulle but he still requested a high price for accession. On 20-21 May, Heath and Pompidou held a

\textsuperscript{71} See Alex May, \textit{Britain and Europe since 1945}, p. 47.

\textsuperscript{72} By this time, the issue of Commonwealth trade had diminished as global trade expansion of the 1960s under GATT encouraged diversification in trading patterns of all states around the world. Britain was no longer the hub it used to be. “By the 1970s the Commonwealth countries had seen the writing on the wall so most of them had already diversified their trade quite a lot and I don’t think they were as dependent on the British market as they were in the early 1960s.” Juliet Campbell, interview, BDOHP, p. 15.
meeting in Paris to iron out the remaining difficulties. Following the summit, the French attitude relaxed in Brussels and Britain was eventually allowed transition periods for both the CAP and common external tariffs as well as a phasing in of budgetary contributions over seven years. By the end of June 1971, all major issues had been successfully negotiated. The next steps consisted of parliamentary ratification and selling the idea to the public.

Since the first two applications, public support had faded and divisions within political and social organizations had increased. Despite its role in preparing accession talks until 1970, the Labour Party opposed the terms agreed by the Conservatives in 1971. They were supported by the trade union movement and by pressure groups such as the Keep Britain Out group. On the other side, the government found support from most of the print media, the business community and pressure groups such as The European Movement. Within the parliamentary parties, support cut across party

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73 “All that I can tell you is that, at the present moment, it would be unreasonable to think that we will be unable to reach an agreement between Britain and the Community during the negotiations of this June and that, in any case, the spirit of our conversations of today and yesterday allows me to think that these negotiations should achieve their goal.” (my translation) President Georges Pompidou, “Joint Press Conference at the Elysee”, p. 1, 21 May 1971, PREM 15/2241, TNA. David Hannay also confirms that Heath’s visit to Paris “…proved a triumphant success, and when President Pompidou and the Prime Minister emerged to brief the press at its conclusion, we all knew that the basic political decision to enlarge the EC had been taken.” David Hannay, Britain’s Quest for a Role, p. 54.

74 This agreement to delay the full implementation of budgetary contributions accelerated the accession process but caused significant problems for the Community for over a decade, as budgetary wrangling helped divert energy from tackling other serious issues. See May, Britain and Europe since 1945, p. 50.

75 Certain aspects of the acquis communautaire remained unpopular among the British delegation, particularly the Common Fisheries Policy and the budget issue. However, they clearly took the view that once membership was achieved, objectionable policies could be addressed from the inside. According to Michael Palliser, “I think there was a feeling that if we hadn’t achieved all our objectives, and we couldn’t expect to achieve them all, we would attempt, over time within the Community, to change things in a way that suited us better.” Michael Palliser interview, BDOHP, p. 27.

76 At the Labour Party conference in October 1971, members voted by a majority of 5 to 1 against the terms of entry negotiated by the Conservatives. However, a separate vote on a total rejection of EC accession, regardless of terms, and another on a referendum were rejected. See ECHA, BAC 3/1978 No. 203, p. 158, Telex from the Commission Delegation in the UK to Mr. Wellenstein at the Commission, “Resultat du congres des Travailleurs de Brighton en ce qui concerne l’adhesion du Royaume-Uni”, 4 October 1971.
loyalties. While Heath could count on a sizeable majority within his own party, it was by no means a straightforward issue. Labour was even more divided, with former ministers Thomson, Brown and Jenkins supporting the terms of accession against a large group of MPs closely aligned to the trade unions. In the end, Wilson decided to oppose the terms of accession, partly for political reasons, and the annual party conference in October 1971 confirmed his views by a five to one majority.\textsuperscript{77}

When the parliamentary debate finally occurred in October 1971, the House witnessed the irony of the instigator of the second British application, Harold Wilson, berating the EC as an out of touch bureaucracy bent on coddling farmers. In the event of a future Labour return to power, he vowed to re-negotiate the terms.\textsuperscript{78} In the end, Heath won the vote by 356 to 244, including 68 Labour MPs voting against the whip. Following the final passing of the European Communities Bill in July 1972, Britain officially entered the EC on 1 January 1973, accompanied by Ireland and Denmark.

**Culture Clash**

Before British accession, the dominant administrative culture of the EEC derived from the post-war French model, where a core of civil servants, at national and Community level, helped provide stability in policy, providing a thread of continuity as the political leaders tended to come into and go out of office with impressive regularity. Founded on the continental tradition of coalitions and cross-party compromise, the EEC administration was bound to experience difficulties in absorbing the British tradition of

\textsuperscript{77}Alex May, *Britain and Europe since 1945*, p. 52.

\textsuperscript{78} In 1974, when back in power, Labour did indeed renegotiate the terms of the accession agreement. However, only a few cosmetic changes were achieved and a referendum was held in 1975, which passed by a 66% majority to remain in the EC. According to Michael Palliser, “...re-negotiation hadn’t really been a reality, nothing much had changed, we got a few changes in the budget.” See Palliser interview, BDOHP, p. 33.
single-party government and strong interparty confrontation. Initially, the British senior politicians failed or refused to recognize the *modus operandi* of Community negotiation culture, which was based on linkages. Instead of accepting compromises on less essential issues for the sake of gains in other areas of more importance, the first generation of British political negotiators tended to take a stand on single issues without linking them to the bigger picture.\(^7^9\) Here, it is important to make a distinction between political leaders visiting Brussels for specific meetings and the multi-level team of civil servants permanently based in Brussels. The latter group often worked quite effectively within the EEC institutions, where culture clashes were more limited.\(^8^0\)

One of the best examples of this refusal to link issues occurred in 1973 when the Heath government insisted on the creation of a European Regional Development Fund (ERDF) to benefit their regions while refusing to let Sterling participate in the proposed joint float as part of an initial step towards European Monetary Union (EMU), agreed by all member states as a shared goal a year before. Unlike Britain, its partners saw EMU participation as an essential precondition of regional aid.

‘The British appeared awkward to their new partners because they refused to accept any linkages between issues. The process of linking issues together in package deals that gave something to everyone had served the Community of Six

\(^7^9\) “Quite often, ministers would prefer to go down to defeat by voting against rather than either abstain or be part of a majority….somehow, there was this feeling that you’ve got to stand your ground and go down to glorious defeat.” Stephen Wall, interview with author, 17 February, 2011.

\(^8^0\) According to Katherine Meenan, a member of the first Irish delegation to the EC in 1973 and head of the Dooge Committee Secretariat in 1985, the majority of the British administrative delegation in Brussels had a wider world view. Anecdotally, most of them had at least one foreign parent or had married a foreigner. Interestingly, many were Catholic. In her view, “The Catholics were a totally disproportionate number and once you accept the notion of a universal Church, what’s the difference with accepting the concept of the European Commission? Once you accept the internationalism of the Catholic Church, there isn’t a particular problem with the internationalism of the EEC.” Katherine Meenan, interview with author, 25 February 2011.
well. Now, the British arrived pressing for progress in those areas that suited them, and refusing to make concessions in other areas in return.\textsuperscript{81}

However, as the new Community of nine took shape, British representatives learned to ‘play the Community game’, though issues like the budget contribution still remained impervious to compromise for many years.

While more attention has been placed on the ways in which the EC slowly influenced British behavior within the Community, there are several examples of British culture seeping into the EC structure. The first area of British, or more accurately, Danish and Irish, influence on the culture of the EC occurred on the choice of language. Ironically, the British had agreed to acknowledge the linguistic status quo of French predominance during their accession negotiations and initially respected this promise. However, the Irish and the Danes did not agree to such a deal and proceeded to conduct their Community business in English. According to Hugo Young, this new departure encouraged other representatives within Coreper, the organization of national ambassadors that prepares much of the groundwork for ministers, to express themselves in their native tongue, thereby simultaneously creating an awkward situation but critically undermining French as the official language.

‘But the consequence was to erode the supremacy of French. Texts in other languages slid quietly into Euro-practice. By the time Mrs. Thatcher came to power, French was no longer the exclusive first-draft usage.’\textsuperscript{82}

Moreover, when the Franco-German axis was under the control of president Giscard d’Estaing and Chancellor Schmidt, between 1974 and 1981, their frequent

\textsuperscript{81} George, p. 62.
\textsuperscript{82} Young, p. 312.
conversations were conducted in English.\textsuperscript{83} Clearly, such a public display of English usage, as well as an institutional downgrading of French, had consequences for the role of their respective foreign offices, no longer required to ‘interpret’ exchanges between the two most powerful leaders in the EC. Although their partnership would have been a close one regardless of language, their direct channel of communication through English clearly helped promote a greater independence of action.

**Post-1973**

Once Britain joined the EC in 1973, the disagreements unresolved in accession negotiations remained and represented a genuine impediment for both British enthusiasm for the EC project as well as Community goodwill towards the new arrivals. Of course, the general economic downturn during the decade only served to accentuate the difficulties, as the much-debated economic costs of membership overshadowed the expected benefits.\textsuperscript{84} In particular, British complaints over their Community budget contribution, spiraling CAP costs and a lack of unity on a common Energy policy combined to deflate the atmosphere and enhance the awkward reputation of the British delegation.

However, on closer inspection, this globally negative narrative has been oversimplified. In many respects, the first enlargement of the EC in 1973 to incorporate this more Atlantic power with traditionally global interests energized the EC and helped move its focus from limited internal reorganization towards the more globally aware and


\textsuperscript{84} Within the EC, during 1975, overall GDP fell by 2.5%, industrial production by 7% and exports by 6%. In addition, 5% of the labor force was unemployed and inflation averaged 12.5%. European Regional Development Fund, First Annual Report, 1975, *Bulletin of the European Communities*, Supplement 7/76 (Luxembourg: Commission of the European Communities, 1976) p. 6.
involved entity that is today’s EU. It is no coincidence that the first post-1973 trade
agreement between the EC and countries within the developing world, the Lomé
Convention, greatly expanded both the number of developing states involved and the
variety of products subject to lower European tariffs beyond its predecessor agreement,
the Yaoundé Convention.

In terms of the broader British contribution to the EC after 1973, several
individuals have often been overlooked, perhaps because their more constructive
contribution to the Community project was either unappreciated in London or they just
did not fit into the otherwise negative narrative often portrayed abroad. Nonetheless,
some British representatives did indeed play a more positive role in the development of
crucial Community policies. For the purpose of this chapter, I will focus on regional
development, European Monetary Union and the Single Market to illustrate this
participation.

**European Regional Development**

In 1972, to counter the obvious imbalance between significant British
contributions to the EC budget and the meager transfers it would receive under CAP and
other redistributive programs, the Heath government insisted on the creation of a regional
development fund (ERDF) as part of its negotiation strategy.

‘Aware that he faced a skeptical public at home, he put at the top of his
priorities for Community action the creation of a European Regional
Development Fund (ERDF), which he saw as essential to redress the balance in
the Community’s budgetary arrangements between agriculture and industry, and
to provide rapid and tangible benefits to convince the British people of the merits
of membership.’

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85 George, p. 57, Richard McAllister, *From EC to EU*, p. 81. Michael Butler, Head of European
Integration within the FCO between 1972 and 1974, confirmed that, “Ted [Heath] worked very hard to get
a regional fund set up…In the entry negotiations, we had pointed out that a combination of the ‘own
This strategy adopted key Commission proposals already presented to the Council in 1969. Though a fund was eventually created, the actual amount involved initially remained quite small. Originally, this fund was designed to reduce the adverse social impact of economic integration on disadvantaged regions and to ‘bring about the structural changes necessary to bring the regional imbalances in the Community within acceptable limits.’ Moreover, at the Paris summit of October 1972, the heads of state of the Six plus the new three prospective member states reiterated their determination to achieve EMU by 1980, which would only increase the need for subsidization of weaker regions. Unfortunately, the economic crisis of the 1970s created an environment where economic integration among member states became more difficult and differences in regional prosperity became more accentuated. With a relatively large farming sector, the continent received a large share of CAP funding, which already represented a form of regional subsidization directed at the agricultural community. With a small farming sector, that the British did not enjoy such CAP benefits on the same scale.

resources’ system for financing the EEC and the CAP was going to result in the UK being practically the only net contributor to the EC budget. Heath had decided to accept this in the entry negotiations, but he was trying to connect it by a regional fund from which the UK would be the major beneficiary.” Michael Butler, interview, BDOHP, p.15.

86 The ERDF was established by Regulation (EEC) No. 724/75 in March 1975 (OJ L 73 of 21 March 1975) Initially 2.4 billion units of account was proposed by the Commission over four years but was reduced to 1.3 billion, http://aei.pitt.edu/10859/01/116-Thomson-10-21-76.pdf.


88 Based on the Werner Plan of 1970, EMU was to be introduced in the EC in three stages before 1980. This prospect increased demands for funding from some member states to prepare their national economies and the ERDF was a prime target.

89 “The crisis which began in 1973 affected the Community countries although not to the same degree. Indeed, the economic crisis aggravated the tendency for the economies of member states to diverge, thereby revealing the structural strengths and weaknesses of each.” European Regional Development Fund, Second Annual Report, 1976, COM (77) 260 final, (Brussels: Commission of the EC, 1977) p. 9.
While British insistence on the ERDF was initially self-serving, once it was implemented in 1975, it established a valuable official mechanism within the Community structure that was expanded and put to diverse use over the following decades to compensate less affluent member states to sign on to otherwise unfavorable policies, such as greater market liberalization or monetary union. Moreover, the gradual rise in available funding and the greater political legitimacy accorded to regions that resulted from bypassing national capitals in ERDF funding negotiations with Brussels had a profound and somewhat unforeseen effect on the rise of regional autonomy within member states in the 1980s and 1990s. This empowerment of regions was not always welcomed by national governments. In this respect, the role of one British official in particular is often overlooked in the creation of the ERDF and its instigation as a key long-term communautaire policy: EC Commissioner George Thomson.

The ERDF became an essential part of the British negotiating strategy for several reasons. First, it represented a net inflow of resources to Britain, crucial to offset the large and unpopular contributions the British were required to make to the Community budget. 90 Second, the fund represented a tangible benefit to the poorest regions of Britain, which were too urban to qualify for CAP funding, helping to refute allegations that the EC made no difference to the lives of the non-elite. To highlight the importance

90 Simon Bulmer, Stephen George, Andrew Scott, The United Kingdom and EC Membership Evaluated (St. Martin’s Press, New York, 1992) “Here, the British position had been to regard income from the European Regional Development Fund as a compensatory financial flow to offset against excessive budgetary costs.” p. 254
of the fund to the British, Prime Minister Heath succeeded in appointing Thomson, a former Labour minister,\(^{91}\) to the Commission post for Regional Policy in 1973.

Unfortunately for Heath, the activation of the fund got bogged down in the sands of the Yom Kippur war in October 1973 and the ensuing energy crisis, which saw Britain cross swords with the Netherlands and West Germany, the latter being the main contributor to any prospective regional fund. Interestingly, one of the unofficial advisers to Heath at this time was the ever-attentive Jean Monnet, who recommended the Prime Minister push for a definitive figure on ERDF funding before the economic crisis closed the window of opportunity.\(^{92}\) Although the ERDF was proposed at an inopportune time for attracting significant funding and suffered from the political tension between Britain and her partners at the time, it did eventually become operational in 1975 and proceeded to lay an important, and often overlooked, foundation for future Community expansion and development.\(^{93}\) In the early stages, George Thomson played a key role in overcoming national divisions to create a fund that was later expanded and helped reduce the negative impact of economic and political integration on poorer regions.

Thomson was one of the first pair of British Commissioners to be appointed in 1973 by Prime Minister Heath.\(^{94}\) He was appointed to the Regional Development

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\(^{91}\) Thomson had been Minister of State at the Foreign Office, Secretary of State for Commonwealth Affairs and Minister for Europe under Prime Minister Wilson.

\(^{92}\) Monnet also recommended that the member states voluntarily share the burden of oil shortages equally. “...the heads of state and government should agree upon coordinated measures to produce comparable effects in the various countries, and thus demonstrate the solidarity of the Community.” “Note for the Record”, p. 1, 3 December 1973, PREM 15/1312, TNA.

\(^{93}\) John W. Young, *Britain and European Unity, 1945-1992*, (New York: Palgrave MacMillan, 2000) p.124. As part of Wilson’s renegotiation, he “was pleased to win two concessions. One was the establishment, at last, of a Regional Development Fund, not as large as originally hoped, but with Britain as the second largest beneficiary.”

\(^{94}\) In September 1973, Heath hosted both Commissioner Soames and Thomson and Michael Palliser (then UK ambassador to EC) at his residence at Chequers to discuss EC developments and brainstorm on the
portfolio, while former ambassador to France, Christopher Soames, was appointed to the External Relations portfolio. Although Commissioner Thomson’s party officially disagreed with the Conservative government’s terms of accession, he personified the cross-party group of British politicians of the period for whom the EC was neither a continental conspiracy to neutralize Britain nor a federalist weapon that targeted the end of the nation state. Instead, in return for limited surrender of sovereignty, they believed that it offered a broader regional political stage, a valuable opportunity to modernize a troubled national economy and a project to rally a flagging national morale. In short, the EC was a pragmatic option and the best available choice for a former world power in decline.

As part of the Community-wide effort to define a regional fund after 1973, Commissioner Thomson immediately published a report that defined and discussed possible solutions to regional disparity within the EC. The 1973 Thomson Report on the Regional Problems in the Enlarged Community updated the 1964 Commission Report on the Regions on the scale of the problem and potential solutions. The report highlighted the moral and social role played by regional aid in ensuring regional prosperity and social British approach to the ERDF and EMU. Strictly speaking, Soames and Thomson were representatives of the EC Commission, not in any way beholden to London, yet since British and Commission policy on ERDF and EMU were aligned, the meeting seemed to provoke no objection. British intentions can be gleaned from a line in the prime minister’s brief that states, “The Commission approach as indicated by [President] Ortoli fits in with our own thinking. But to what extent can we look to Ortoli and the Commission to help to bring home the bacon?” This meeting occurred two weeks before the Yom Kippur War broke out. “Chequers Discussion, Brief for the Prime Minister”, p. 2, 23 September 1973, PREM 15/1498, TNA.

David Butler & Uwe Kitzinger, The 1975 Referendum (New York: The MacMillan Press, 1976) p. 93 During the buildup to the 1975 British referendum on new terms of membership, the Britain in Europe Campaign, led by O’Neill, Jenkins and Heath, kept in touch with Commissioners Soames and Thomson. Unusually for Britain, a cross-party organization actually functioned as intended and helped win the referendum.

solidarity within a continent scarred by national and regional divisions, particularly
during economic downturns.

‘No Community could maintain itself nor have a meaning for the people
which belong to it so long as some have very different standards of living and have
cause to doubt the common will of all to help each member state to better the
condition of its people. (...) Unless the Community’s economic resources are moved
where human resources are, thus sustaining living local communities, there is bound
to be disenchantment over the idea of European unity. The long history and diversity
of the European people, the historical and cultural values which are the moral wealth
of each region, make the maintenance of establishment in each region of the
groundwork of an up-to-date economy a matter of capital importance.’\textsuperscript{97}

Equally, the report highlighted the economic rationale for a regional fund. If EMU
was to become a reality within the Community, as promised at the 1972 Paris summit, the
member states with the weakest economies deserved to be financially assisted in their
domestic preparations. In return, they must agree to abide by the economic discipline
that would be required of all EMU participants.

‘No member states can be expected to support the economic and monetary
disciplines of Economic and Monetary Union without Community solidarity
involved in the effective use of such instruments: equally member states must be
prepared to accept the disciplines of Economic and Monetary Union as a condition
of this Community support.’\textsuperscript{98}

When the ERDF was finally created by the European Council in 1975, it was not
an immediate game-changer as a mere 1.3 billion ecu, or 4.8% of the overall EC budget,
was allotted to it over the first three years. While its reach and resources were hardly
ambitious at first, the fund was created in the midst of severe economic difficulties, at a
time when EMU itself was on the back burner. However, it is in the longer term that the

\textsuperscript{97} Thomson Report, pp. 12-13.
\textsuperscript{98} Thomson Report, p. 19.
significance of the ERDF became more apparent, as it played an increasingly important role, especially in the late 1980s, when it was used to reduce the negative impact of the single market on disadvantaged regions and social groups, a clear theme in Thomson’s report.

In the Delors I deal passed by the Council in 1988, the Commission finally achieved its long-standing goal of ERDF expansion and linkage. In the deal, the ERDF was expanded and linked to the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) within the so-called ‘structural funds’. This innovation, to compensate weaker regions for the impact of the single market, finally gave life to Thomson’s aim of ‘sustaining living local communities’. In an address to the European Parliament in July 1988, President Delors outlined his linking strategy among CAP reform, budgetary discipline and structural funding.99 In his 1991 proposal on CAP reform, Commissioner for Agriculture, Ray MacSharry, echoed Delors and Thomson in highlighting the broader relevance of structural funds.

‘Rural development is not only concerned with the development of the primary sector. Other forms of economic activity which help to maintain rural populations and strengthen the economy of rural areas will be promoted. The examination of the adequacy of structural fund intervention in support of rural development under the 1988 reform will be part of the overall review of structural policy to be carried out in 1991.’100

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99 “First, there has been the implementation of the Commission’s ‘package’ adopted by the European Council when it met in February 1988: adaptation of the CAP to the changed circumstances on international markets, accompanied by tighter budgetary discipline….implementation of flanking policies through the structural funds…” Jacques Delors, “Jacques Delors on the state and future of European integration” (July 1988) in Harryvan & van der Harst, Documents on European Union, p. 240.

By 1991, the entire structural fund accounted for over 18 billion ecus, or 28% of the Community budget, a far cry from the humble beginnings of 1975.101

For Commissioner Thomson, the establishment of the ERDF during his term of office demonstrated the fact that a British representative could constructively contribute to a policy that, by definition, sought to strengthen Community influence in the regions. Although Britain clearly gained from the ERDF, his actions, as required from all members of the Commission, were conducted on behalf of the Community as a whole, in the context of a broader project of economic development and stability. In this sense, Thomson executed the role of Commissioner as it was designed, to act in the interests of the EC, regardless of nationality. In countries such as Ireland and Italy, for example, the ERDF has played an important role in modernizing local transport infrastructure and helping local businesses improve their market access. Clearly, the availability of funding under the ERDF also encouraged less developed countries to join the EC, such as Greece in 1981 and Spain and Portugal in 1986.

‘He believed to an extent that few other British Commissioners have believed that his role was to do the best he could for Europe as a whole rather than simply for the country from which he came. He was the essence of being "communitaire"(sic).’102

‘But in my judgment and that of other cognoscenti, an effective community policy for helping regions such as the Highlands of Scotland, Brittany and Calabria and Sardinia would not have got off the ground for another decade had it not been for Thomson's determination.’103

The European Monetary System

Along with Edward Heath, Roy Jenkins was probably the most publically pro-European British political leader during the 1960s and 1970s. Just as the European question was capable of dividing parties, it was also capable of forging unexpected cross-party alliances. As a member of the Labour party under Harold Wilson, his consistently enthusiastic line on the EEC was not always echoed among his peers. As the official party line oscillated between support for, or opposition to, membership, Jenkins maintained his stance and role within the party tended to grow or fade accordingly.

Having served as Home Secretary from 1965 to 1967 and Chancellor of the Exchequer until 1970, Jenkins was elected deputy leader of the party in opposition in 1970. However, when returned to power in 1974, the Labour Party had done so partly based on their commitment to a renegotiation and a referendum on the British terms of entry into the Community.\(^\text{104}\) In this context, Jenkins’ position within the party became untenable due to his active support of the Conservative government’s terms of entry in 1972, which were rejected by the Labour party. Throughout his parliamentary career, Jenkins’ consistent support for Community membership often set him on a collision course with his Labour colleagues as he often prioritized his European convictions over party loyalty. Moreover, he maintained his support for membership while fully realizing the clear potential of the EEC project to move beyond a simple marketplace towards political union.

\(^{104}\) The principle issues on the Labour government’s agenda were the budget contribution, New Zealand butter and Community competition rules. See Michael Butler interview, BDOHP, p. 18. A summary of the Labour Party renegotiation priorities is outlined by Wilson in a draft letter to German Chancellor Schmidt in “Draft Letter to His Excellency Herr Helmut Schmidt,” 1 December 1974, PREM 16/77, TNA.
‘Nor did either of us (Jenkins and Heath) attempt to play down the importance of the issues or to suggest that all that was at stake was a narrow trade-policy decision. It was political Europe in which we were interested. A common market, which existed and of which we were a part, was a vital step on the road but it was not the ultimate goal or the primary purpose.’

When the Labour party eventually regained power in 1974 and set about organizing a referendum on renegotiated terms of entry, Jenkins teamed up with a cross-party grouping of political leaders to campaign for a Yes vote. Called Britain in Europe (BIE), this group was chaired by Con O’Neill and featured Jenkins as president as well as Edward Heath, Reginald Maudling and William Whitelaw as vice presidents. Though a new departure in British politics, BIE managed to finish on the winning side of the referendum and demonstrated the potential for cross-party cooperation on specific issues. Crucially, it proved that an ad hoc group of interested parties, including elected and unelected members, could successfully promote the EC concept within an environment previously dominated by the main political parties and their canvassing and electioneering machinery.

Though novel at the time, this mix of governmental and non-governmental interests acting independently of political parties offered an important blueprint for future political interactions between interest groups and the EC institutions: while governments retained significant control over direct communication with the EC, they were gradually forced to cede some space to non-governmental entities that had a direct interest in specific Community policy decisions.

106 Kitzinger, p. 75.
‘The pro-Market campaign…spent more on the referendum than any political party has spent centrally on any general election and it managed to co-ordinate in a totally new way the talents of a wide range of people. Its efforts were to be crowned with the most overwhelming of successes and the elite who set it up and managed it had cause to feel delighted with their efforts.’\(^{107}\)

In 1977, Roy Jenkins assumed the role of president of the EC Commission, for a term of four years. As the first British president, his performance came under particular scrutiny. After all, his national government and his own party had just renegotiated terms of entry and were determined to gain a more positive monetary value for membership, creating an unpopular precedent among its peer governments and helping stall overall Community integration. It was ironic that a British politician was now the president of the institution most despised by British Eurosceptics as the embodiment of all the supranational evils embedded in the EC. On taking office, Jenkins soon discovered the Commission’s political limitations without support from national governments and realized that ‘fluctuating influence was the most to be hoped for.’\(^{108}\)

As a result, he decided to focus his energy on a project that would offer the least resistance from member states and could provide significant return on investment: monetary cooperation. This project was nothing new within the EC, EMU having been agreed at the Hague summit in 1969 and unsuccessfully launched in 1972, following a deadline of 1980 for completion. Within a short period however, the oil crisis, economic recession and preference for diverging national recovery plans sidelined EMU and soon the project as a whole was no longer taken seriously.

\(^{107}\) Kitzinger, p. 95.  
\(^{108}\) Jenkins, p. 445.
‘Wilson, it is true, signed [the 1974 EMU declaration] in a spirit of confident agnosticism. He thought it wouldn’t happen for some time. Other governments, he told the Commons, now had a different attitude towards ‘the practicability of achieving EMU by 1980’. He said the project had been ‘tacitly abandoned’. And plainly he did not want it.  

As the plan to move towards EMU faltered in the early 1970s, the most that member states could rescue from the sinking ship was a loose system of currency alignment, with no ambitious end point. From 1972, this ‘Snake in the Tunnel’ currency system was based on a defined maximum fluctuation rate between the dollar and multiple European currencies (the tunnel), plus a narrower internal fluctuation band among EC currencies (the snake) within this tunnel. However, it suffered from frequent defections as diverging national economic policies meant that currencies failed to stay within the agreed fluctuation limit. By 1976, membership had dwindled to just the German Deutschemark and a few neighboring currencies. Despite the lofty rhetoric surrounding EMU after 1969 as the harbinger of greater overall integration, within six years, the only concrete result was a much-disliked, legless monetary animal that risked strangling whatever modicum of goodwill that remained among member states towards greater integration. In this respect, it was perhaps ironic that it was widely called ‘the snake’. According to James, ‘It had started as a project for fostering economic and monetary integration but had waned into a monetary mechanism.’

In 1977, despite such negative attitudes among European leaders, Jenkins saw an opportunity that could provide a stimulus for further integration in related fields and could offer some momentum to his stalling Commission. To achieve his goal though, the

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109 Hugo Young, p. 286.
large member states, particularly France and Germany, would have to be on board. Fortunately for Jenkins, during his tenure as president, monetary cooperation had already begun to return to the discussion table at the highest level. Following the collapse of the Bretton Woods system in 1971, the fragmentation of the international currency system and growing international currency speculation, the EC’s economic performance, the benchmark of its success, had suffered.

Unlike Japan and the United States, where currency fluctuations were external issues, the EC had to cope with both external financial instability and internal currency fluctuations among its member states. Unsurprisingly, this instability was playing havoc with economic growth rates, inflation and the working of the CAP, which immediately placed it on the French government’s radar as a top priority as well. Monetary cooperation seemed to offer a potential solution that could bolster external economic performance and internal Community cooperation. In reaching this conclusion, Jenkins followed in the footsteps of his compatriots Heath and Butler, by taking advice from an experienced source, who had taken on an almost Yoda-like character for generations of British diplomats seeking an understanding of the European conundrum.

‘A new initiative was therefore manifestly necessary. But what direction should it take? I was much influenced by the advice of Jean Monnet, given both publically and privately……I came firmly to the conclusion that the most open axis of advance for the Community in the circumstances of 1977 lay in re-proclaiming the goal of monetary union……I decided that there was a better chance of advance by qualitative leap than by cautious shuffle.'

In the fall of 1977, Jenkins publically presented the outline of his plan at the Jean Monnet lecture in Florence. In it, he challenged the member states to re-kindled their

111 Jenkins, p. 463.
common ambitions or risk becoming obsolete, ‘Some commentators believe that time is unpropitious for adventurous ideas. I do not agree. The concept and indeed the politics of monetary union stand immobilized in skepticism….’

In response, he proposed a gradual convergence of currency exchange rates among the member states, a pooling of currency reserves as well as the necessary coordination of national monetary policy that would facilitate such a convergence. While most countries welcomed or at least did not reject the idea, France and Germany remained non-committal. Of course, any viable project required support from both these governments. Having experienced the recent failure of the snake currency system, which was also based on limited fluctuation rates, member states were understandably wary.

The project’s momentum failed to advance significantly until Chancellor Schmidt became more enthusiastic in early 1978. Jenkins suggested several reasons for this change of heart. First, the distraction of the series of political extremist bombings during 1977 in West Germany had subsided and a new international initiative would be welcomed to help raise public and government morale. Second, Jenkins claims that Schmidt was becoming increasingly frustrated with the United States government and President Carter’s lack of leadership on monetary issues, as the dollar continued to decline against the Deutsche Mark and threaten German exports, a key pillar of the West German post-war success story. Crucially, monetary power was the main tool at the

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113 Jenkins, p. 471.
disposal of West Germany when historical sensitivity ruled out aggressive political actions on the international stage.

In 1979, as a result of this convergence of opinion between the Commission and key Member states, the European Monetary System (EMS) was created without the ambitious pretexts of promising supranational integration or a move towards binding EMU. Consisting merely of a loose framework within which currencies could be coordinated and limited resources pooled, the EMS offered just enough to generate common financial cooperation without demanding more sacrifices than member states were prepared to offer. This system would replace the diminished and limited Snake.

Once Schmidt was onboard with the idea, his close relationship with President Giscard d’Estaing, who was also seeking ways to stabilize the French franc, ensured French support. Thanks to this dynamic, Jenkins’ strategic idea achieved traction. Although he was fortunate to have stumbled upon an unexpected German window of enthusiasm and a close Franco-German partnership, Jenkins’ role of initiator and success in enlisting key national leaders behind a significant Community-wide project cannot be overlooked. Initially, the only member state unwilling to participate in the EMS was Britain, concerned about the effects of entering Sterling at too high a rate to counter unemployment. Nonetheless, Jenkins favored advancing without the British over diluting or stalling the entire project for their sake.

‘I left Bremen [site of Council meeting, July 1978] in a high state of morale so far as the prospects of getting a European Monetary System were concerned, but with substantially diminished hope of Britain at least learning its lesson and participating in a European initiative with enthusiasm and from the

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114 ‘British contributions had also been of great importance, however: those of Roy Jenkins as Commission President, through and following his Florence speech of November 1977…’ McAllister, p. 128.
beginning. Adjusting to reality, my interest became increasingly that of avoiding Britain holding up the advance of others.’\textsuperscript{115}

Despite further delays in the creation of the EMS, mainly due to French protests at compensatory demands from Ireland and Italy, the system finally entered into effect in March 1979. For Jenkins, it represented an achievement to compensate for a slow beginning to his Commission term. As a practical project that offered tangible results at the time and a wide-reaching impact on a variety of Community policies in the longer-term, the EMS remains one of the success stories of European integration and a testimony to Jenkins’ dedication to the Community’s founding goal of ‘ever closer union’.

‘However, the EMS has more than made up for its awkward birth by its successful performance and by the fact that it has been the central channel from which most subsequent European advance has flowed.’\textsuperscript{116}

With the foundation of a stabilizing currency system in place, the EC’s internal currencies at least would experience greater stability compared to the fluctuating dollar, helping internal trade and the integrity of the CAP. Stability would also take the speculative pressure off the Deutsche Mark, dissipating the inflow of funds to West Germany among its partner EC currencies.\textsuperscript{117} However, Jenkins also recognized that luck played a part in his success, especially during an economically difficult climate. First, the fortuitous decline in the value of the dollar against the Mark and the resulting threat to German exports helped change Chancellor Schmidt’s mind on EMS. Second, the European Council worked rapidly in advancing EMS, mostly because it suited France and West Germany at the time.

\textsuperscript{115} Jenkins, p 481.
\textsuperscript{116} Jenkins, p 490.
\textsuperscript{117} George, p. 127.
For the French, it offered an external obligation to impose economic discipline domestically, which would reduce the need for devaluations that were driving inflation. It also helped deflect the blame for economic austerity from the French government. For the Germans, EMS helped stabilize the European currency basket and export prices. The dollar decline impacted the Mark directly as they competed in many markets. Moreover, the flight of speculative funds from the dollar tended to move to the strongest currencies: the Yen and the Mark. The resulting upward pressure on the value of the Mark only compounded its lack of competitiveness. Finally, Jenkins was lucky that the British decided not to prevent the other member states from creating the new system, thereby leaving a group of willing states to advance unhindered.

Placing the EMS episode in the context of wider Community development, Richard McAllister states that EMS was one of several signs that ‘the worm began to turn’ towards more coordinated Community action, as ‘notions about the role of the state within the economy, and thus about the role of the EC in helping to ‘shape’ the economic order, began to change. Intellectual fashions began to shift. A sea change was slowly coming about which helped to produce the drive, in the mid 1980s, towards the Single Market…’

It would be an exaggeration to claim that Jenkins brought the EMS into existence: he was just an official after all. However, his role of keeping a specific issue on the table and shadowing the essential decision makers demonstrated that a focused Commission president could exercise some influence within a predominantly intergovernmental structure as long as the priorities of the member states, particularly those of France and

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118 McAllister, p. 128.
Germany, converged. The key remained spotting the window of opportunity and setting realistic goals. According to Hugo Young, Jenkins term was marked by frustration until the ERM idea, when ‘eventually he became the prime instigator of the modern Community’s most far-reaching project to date, a forerunner, in its way, of the system that was to come to full flower in the 1990s…’

Considering the negative image of Eurosclerosis that is often assigned to Community integration during the 1970s, and the level of responsibility that is often placed on the British for helping to create such a scenario, the fact that a British politician contributed significantly to this important common economic initiative is certainly noteworthy and often overlooked within the traditionally negative British membership narrative.

**The Single Market**

The third area of British involvement was in the development of the single market. By July 1968, the EC had achieved the first stage of the single market in industrial goods, as outlined in the Treaty of Rome, by eliminating customs duties between member states. The elimination of these tariff barriers was clearly targeted under the Treaty and paved the way for the creation of the single market. However, other more subtle trade obstacles, ‘the measures having equivalent effect’, still remained between member states after 1968 in the form of non-tariff barriers (NTBs), as governments and large national firms combined to protect national industries by

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119 Hugo Young, p. 300.
120 Under Article 3 (a) of the Treaty of Rome, “...the activities of the Community shall include...the elimination, as between member states, of customs duties and of quantitative restrictions on the import and export of goods and of all other measures having equivalent effect.” Treaty of Rome, Europa, official website of the EU, [http://ec.europa.eu/economy_finance/emu_history/documents/treaties/rometreaty2.pdf](http://ec.europa.eu/economy_finance/emu_history/documents/treaties/rometreaty2.pdf) (19 January 2013).
establishing differing national production and safety standards. By the time the British
joined in 1973, the Commission had been targeting NTBs for several years but was
impeded by the complexity of industrial sectors and the need for unanimous voting
within the Council of Ministers. With British accession, the Commission gained a
valuable ally as the British government saw the elimination of NTBs as a genuine move
to a more open market without ceding national sovereignty to Brussels.

‘The market could not be free or single until these [NTBs] had been
removed. The Commission had long desired to do this, and the lists of what
needed to be done had languished in its drawers for years. But now a critical
mass assembled for action.’\textsuperscript{121}

Initially, progress was slow, as the combination of recession and unemployment
in the mid 1970s actually pushed member state governments towards using NTBs to
protect their national industries and reject greater market harmonization. However, the
path towards the eventual elimination of NTBs was given legal grounding in two
landmark court rulings before 1980. In the context of NTBs, the European Court of
Justice (ECJ) took the initiative when political will was absent. Within specific areas
covered by the Treaty of Rome, including the single market, ECJ rulings were binding on
all member states and superseded national court rulings on the same issues.

The rulings in question were the Dassonville ruling in 1974 and the Cassis de
Dijon ruling in 1979. According to the ECJ’s ruling in Dassonville, ‘All trading rules
enacted by member states which are capable of hindering, directly or indirectly, actually
or potentially, intra-Community trade are to be considered as measures having an effect

\textsuperscript{121} Hugo Young, p. 326.
equivalent to quantitative restrictions. The Court’s ruling in the Cassis case of 1979 backed up this statement on the illegality of non-tariff barriers.

While the ECJ rulings were clear and binding on member states, the political and economic situation in the late 1970s did not lend itself to rapid or meaningful moves towards greater easing of trade restrictions. With economic recession still biting and political stagnation dominating the Community’s agenda, the elimination of NTBs looked unlikely in the short-term. However, between 1981 and 1984, several changes occurred that made a significant attack on NTBs more likely. First, as the international economic situation began to improve after 1981, member state need for protective NTBs became weaker. Second, the well-documented French macroeconomic u-turn of the early 1980s made them more open to Euro-level cooperation on all fronts, including the single market development and increased funding for the ERDF and other redistributive mechanisms.

Third, after years of haggling over its contribution to the EC budget, the British government finally decided to accept the budgetary solution presented at the Fontainebleau Council summit in 1984. This about-face from the Thatcher government was partly prompted by the prospect of European industries losing significant ground to resurgent American and Japanese competitors as a result of protracted political inertia impacting European competitiveness. The British also feared that the City of London would lose its role as the financial heart of the European economic zone.

By 1984, these external and internal factors had combined to inject new momentum into the European project. With the sense among C leaders that they had

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already lost enough time to their global competitors, this breakthrough signaled the beginning of one of the most productive era of political and economic integration in the Community’s history. Over the next eight years the Community would vastly expand the reach of the single market, introduce more efficient institutional procedures to accelerate important decisions, take real steps towards EMU, significantly increase regional development funding and prepare further enlargement to the East after 1989. During this period, even the British government led the way in certain areas of integration, especially on the single market.

The contribution of the Thatcher government at this point is quite interesting. Despite Mrs. Thatcher’s well-founded reputation as an anti-federalist and unenthusiastic European, there was one area at least where she and her government bucked this reputation and led the way. Before it became clear to her that the Commission and other member states supported changes to the Treaty of Rome and greater supranational powers for Brussels institutions, her approach to the new era of European integration offers some unexpectedly moderate views. Indeed, according to Michael Butler, her ambassador to the EC until 1985, she successfully managed to keep her anti-EC opinions under wraps.

124 With the accession of Greece, Spain and Portugal in the 1980s, the Community had already increased to twelve members by 1986.

125 The Milan summit of 1985 witnessed Thatcher’s powerlessness in preventing a vote on the holding of an intergovernmental conference on Treaty changes, precisely what the British did not want. According to Katharine Meenan, the secretary of the Dooge Committee, “The British were spectacularly badly prepared..and Milan was a complete failure of British diplomacy…I understand from speaking to some of the FO people that she was absolutely gobsmacked, she had no idea that this was going to happen..and that she would be so isolated.” Katharine Meenan, interview with author, 25 February 2011. This view is confirmed by Peter Barry, former Irish Minister of Foreign Affairs. He stated that lack of understanding among Member states of the lead up and content of Treaty changes, specifically the Single European Act, “..is the fault of their own [national] departments who didn’t go through the fine print and didn’t bring it to the attention of their governments.” Peter Barry, interview with author, July 2011.
until 1987, at which point she decided to limit her close circle of advisers to the more hard line Eurosceptics.\footnote{\textsuperscript{126}}

In this regard, her vision for Europe was laid out in a document circulated to other heads of government at the Fontainebleau summit in 1984. Entitled ‘Europe-The Future’,\footnote{\textsuperscript{127}} this document proposed several areas in which member states could build common action for a more efficient single market and a more effective global voice. While the document prioritized practical economic challenges, it was still a British effort after all, it was written in a remarkably conciliatory tone concerning trade expansion, citizen welfare, R&D risk sharing on a European scale and CAP improvements.\footnote{\textsuperscript{128}} Even the area of common environmental action got a mention in paragraph 10, where it states that ‘many environmental problems require action going beyond the capabilities of member states.’\footnote{\textsuperscript{129}}

Clearly, this sort of reaching out to meet the concerns of other member states contrasts radically with the more paranoid, anti-Brussels Prime Minister usually portrayed. In many ways, this document symbolized the somewhat softer, early phase of Thatcher’s European experience, before deeper Euro-skepticism set in to inform her

\footnote{\textsuperscript{126} “When Margaret Thatcher came into office, her instincts were all anti, though during her first eight years she didn’t let her anti-European prejudices prevail over rational examination of the national interest.” “After the ’87 election she saw fewer and fewer people and was convinced she didn’t need much briefing…” Michael Butler, interview, BDOHP, p. 20 & 34. When Hannay first met Thatcher in his new role as UK Ambassador to the EC, he humorously referred to Brussels diplomacy as a game of snakes and ladders. With a straight face, she replied “Oh no, David, you are quite wrong there. In Brussels they are all snakes!” Hannay, \textit{Britain’s Quest for a Role}, p. 124.  
\textsuperscript{127} “Europe-The Future”, June 1984, PREM 19/1229, TNA. The British discussion paper circulated among EC heads of government at Fontainebleau, June 25/26, 1984. Copy procured from Sir Stephen Wall, former British permanent representative to the EU. 
\textsuperscript{128} Though the document was not written by Thatcher personally, it was certainly read and approved by her. “There was no way that she ever, at that stage, that she signed off on anything that she didn’t approve.” Stephen Wall, interview with author, 17 February 2011. 
\textsuperscript{129} “Europe-The Future”, paragraph 10.}
view.\textsuperscript{130} In her plan for the single market, Thatcher echoed the Treaty of Rome in calling for a ‘genuine common market in goods and services which is envisaged in the Treaty and will be crucial in our ability to meet the US and Japanese technological challenge.’\textsuperscript{131}

The paper also referred to the damaging impact of NTBs on European technology and jobs by advocating ‘action to harmonize standards and prevent their deliberate use as barriers to intra-Community trade.’\textsuperscript{132} Unsurprisingly, the paper frequently held up the example of the US as an efficient facilitator of cross-state trade and travel.

Close on the tails of the British policy paper on the future of Europe, the Commission wasted no time publishing its own vision of Europe. While the Community project of market liberalization in the 1980s was clearly spearheaded by the Commission president, Jacques Delors, one should not forget the significant role played by the British Commissioner appointed to the single market portfolio, Lord Arthur Cockfield. Like Commissioner Thomson before him, Cockfield was a British representative who played a constructive role in important Community policy decisions that determined the future shape of the EU.

Before Lord Cockfield joined the Commission in 1985, the latter part of his career consisted of chairing a British pharmacy chain store and getting a close look at the effects of NTBs as British Secretary of Trade and Industry. When he and his staff drew up the Commission’s White Paper on Completing the Internal Market,\textsuperscript{133} in early 1985, it listed

\textsuperscript{130} According to Hannay, “This paper, which was by a rather long way the most positive and constructive policy document on Europe produced before or since by a British government, advocated making decisive progress towards a single market..” Hannay, Britain’s Quest for a Role, p. 122.
\textsuperscript{131} “Europe-The Future”, paragraph 6.
\textsuperscript{132} “Europe-The Future”, paragraph 6.
over 300 measures to eliminate physical, technical and fiscal barriers to intra-Community trade. Basing its approach on the ECJ’s ruling in the 1979 Cassis de Dijon case, the White Paper overcame the inevitable complexity of coordinating twelve national markets by requiring member states to allow the importation of goods that were, as stated in the Cassis de Dijon ruling, ‘lawfully produced and marketed in another member state.’

Although it was destined to become the founding document for the re-launch of the Single Market by 1992 as well as the defining contribution of the first Delors Commission, the White Paper on Completing the Internal Market was perhaps most remarkable for its low-key, practical, tone. Cockfield and Delors clearly felt that a tone of euphoric federalism did not suit the topic and would not enhance its chances of success. Absent was the flowery rhetoric of European federalist aspirations, a criticism traditionally leveled at many previous Commission projects.

Instead, the document was constructed on practical market deregulation and an extremely successful slogan consisting of four digits: ‘1992’. In such a complex and multi-lingual Community, where every single ‘i’ and ‘t’ of the vast amount of Community communications are carefully dotted and crossed before being translated into every official Community language, the simplicity of this slogan stands out as a welcome exception. Perhaps it was just a coincidence that the year 1992 was a mere single digit away from ‘1492’, a historically monumental year for Europeans, associated with a new era of enormous economic opportunity. In any case, it could only help raise the profile and expectations for 1992.

Although the single market was just one part of the Single European Act and the later Maastricht Treaty, there is no doubt that the Community’s momentum of the 1980s
depended in a major way on this broad program of market harmonization and NTB elimination. In 1985, even the new Commission president, Jacques Delors, had to admit that the British were backing the right horse, when he stated that the drive to ‘complete the single market’ was ‘perhaps the only strategic policy objective that would find a consensus.’

Conclusion

Since accession to the EC in 1973, successive British governments have often been responsible for delaying Community decisions, painstakingly negotiating national exceptions and offending their peers with budgetary belligerence. At times, they have indeed performed according to script as the ‘awkward partner’ or the ‘stranger in Europe’. However, on closer inspection, this narrative rings a little hollow as the broader picture of the British contribution to Community development is taken into account. In certain areas, including the single market, regional funding and the accession of new member states, they have been one of the closest allies of the European Commission, the Community’s traditional integration locomotive.

Despite their awkward reputation, there is an argument for revision. During the first two decades of membership, many British government and civil service representatives worked contrary to stereotypical expectations and actually played a positive role in advancing overall economic and political integration in relative harmony with the goals of the Treaty of Rome and with many of their fellow member states. Perhaps because their careers reflect a more cooperative pro-European approach, the significant role of individuals such as George Thomson, Roy Jenkins and Arthur

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134 Wallace & Wallace, p. 135.
Cockfield in developing key common policy fields is often conveniently overlooked. While this omission is understandable in British political circles, where success in Europe has usually been measured in combat stripes earned in diplomatic battles against continental foes, this attitude is less understandable in Brussels. It may be related to the reluctance of other member states to undermine the widely accepted awkward British reputation for fear that their own national awkwardness, and all member states display awkwardness at some point in negotiation of important national issues, risks exposure.

There are a few factors that undermine the British stereotype: one based on British diplomatic practices and presumptions and the other on a misreading of unique Community structures. First, from the 1960s, a pro-EEC group of individuals within the British diplomatic and political corps emerged and achieved an increasing amount of influence even if they sometimes ran against government policy on Europe. As a unique and evolving political entity, based on a novel blend of intergovernmental and supranational decision makers, the EEC of the 1960s and the 1970s was still very much a work in progress and failed to generate enthusiasm among many experienced diplomats focused on more recognized spheres of power. The United States and the Soviet Union offering the strongest gravitational pull during the height of the Cold War.

Due to this lack of senior level interest in Europe, an important and often underestimated drift developed between senior diplomatic leaders who turned their attention elsewhere and their lower level representatives responsible for EEC policy in London or in Brussels, who saw a future for the EEC and believed Britain should be

135 “The six had signed the Treaty of Rome, they had got things going, but they were still at the stage of negotiating amongst themselves the major regulations that shaped the way the Community structure was later developed.” Juliet Campbell, interview, BDOHP, p. 9.
involved. As Hugo Young states, ‘The Foreign Office was not yet run by Europeans, but the positions of influence on the European question were given to people who believed in its importance. They were a minority in the Office, but had a majority control of the policy they cared about and could be allowed to roam around their chosen playground.’

Given this loose diplomatic rein on those involved in Community relations in London and in Brussels, people like Michael Palliser, John Robinson, Con O’Neill and David Hannay were allowed to pursue their chosen area with relative freedom of action, often exploiting the apathy of their superiors through diverse informal methods not usually condoned by the diplomatic leadership in Whitehall. In particular, before British accession, between 1965 and 1969, Michael Palliser used his family connections with his father in law, former Belgian prime minister Paul Henri Spaak, to informally sound out European opinions and transfer them back to his employer at Downing Street, Harold Wilson.

Second, in Brussels, the novel structure of the EEC and the relative lack of initial FCO oversight and interest posed several problems. It meant that many political decisions on Community issues were taken by British diplomats and their peers at lower administrative levels than would be the case in domestic politics. It was not always physically possible for national governments to monitor all activities in Brussels closely or to foresee the indirect impact of specific decisions on unrelated fields. With such freedom of action, ambitious national civil servants working with their fellow member

136 Hugo Young, p. 180.
137 "One of the things that I found particularly attractive about working in Brussels was this endless process of negotiations, so much going on in such a large and sort of multifarious body that actually there weren't enough chiefs, there weren't enough ambassadorial level people to go round, so that you did find yourself, and I did find myself as a mere first secretary, in a process of negotiation.” Peter Hall, BDOHP, p. 20.
state colleagues on EEC business experienced less surveillance from national capitals. According to Peter Hall, this neglect of close control and socializing cost the British particularly in relation to the Commission. By not sending the best candidates at lower level within the Commission and refusing to send senior diplomats from London to ‘wine and dine’ the Commission, the British frequently found that they missed the early stages of policy development within the Commission, and were forced to scramble on the back foot when unwelcome policy proposals finally came to their notice too late in the process.\textsuperscript{138}

Moreover, while it is impossible to define accurately the tribal impact of solidarity with peers living as expats in Brussels, there is no doubt that the intensity of daily personal contact, both professional and social, among the elite ‘EEC club’ discouraged the persistence of awkward national stances from individual representatives.

This fundamental disconnect between domestic and Community cultures of hierarchical political responsibility was particularly evident among the British delegation in Brussels. Of course, those working within the Commission were most likely to disagree with London as they were professionally obliged to advance a 	extit{communautaire} agenda. This being the case, it is therefore no coincidence that the most distinguished ‘Europhiles’ among the British delegation were Commissioners. In the words of Margaret Thatcher, they ran the highest risk of ‘going native’.

\textsuperscript{138} Hall blames this on lack of understanding of the Commission’s monopoly on legislation proposals within the EEC and a refusal to see its role as anything beyond a glorified secretariat. “Although the Commission does not itself decide major issues, it does have the colossal power of being the only body which is licensed to make a proposal…You really need to make your input inside the Commission before this or that proposal sees the light of day and I don’t think we were particularly good at that.” Peter Hall, BDOHP, p. 23
Taking into account these particular conditions and individuals, the traditionally negative ‘Britain in Europe’ narrative becomes less watertight. Once we acknowledge the entire pool of British personnel involved in EEC business since the 1960s, including the Foreign Office, COREPER and Commission officials, it becomes easier to attribute a more positive overall British contribution to EC political and economic integration between 1973 and 1992.

In conclusion, despite gaining the reputation of a consistently awkward partner, a closer examination of the overall track record of British representatives in the Community reveals that many did actually play a more communautaire tune. Indeed, it is even fair to say that some British representatives even played a leading role in the development of common EC policies that ran in direct opposition to the wishes of their national government. In doing so, they frequently disagreed with official British government policy on treaty wording or overall policy direction. In doing so, they seemed to take to heart a useful piece of advice offered years before by Count Sforza, the Italian Foreign Minister of the early 1950s. On the topic of European integration, the Count is reported to have advised the British ambassador of the day:

‘My dear ambassador, there are times at the opera when you should enjoy the music and not worry about the words.’

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Chapter 5:
The Incorporation of Euro Groups within the EU Political Structure, 1958-1992

Introduction

‘2. To this end, before submitting proposals in the social policy field, the Commission shall consult management and labour on the possible direction of Community action.’

‘1. Should management and labour so desire, the dialogue between them at Community level may lead to contractual relations, including agreements….2. Agreements concluded at Community level shall be implemented either in accordance with the procedures and practices specific to management and labour and the Member States or, in matters covered by Article 2, at the joint request of the signatory parties, by a Council decision on a proposal from the Commission.’

In 1992, the leaders of the then twelve member states of the European Community signed the Treaty on European Union (TEU) in the Dutch town of Maastricht. As the first new Community treaty since the founding Treaty of Rome in 1958, the TEU represented a significant milestone in the then 34-year lifespan of the European Community. In fact, it was so significant that it changed the fundamental structure and the very name that had identified the regional body for decades. Absorbing the European Community, the new European Union (EU) was designed to reflect the passage from mostly economic shared interests among the Twelve to broader common political and social aspirations.

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3 Commonly known as the ‘Maastricht Treaty’, the TEU was signed by Member States on 7 February, 1992 in Maastricht, The Netherlands, and entered into effect on 1 November 1993.
The new entity expanded existing fields of interest and added a variety of new policy fields to its supranational and intergovernmental competences: European Monetary Union (EMU), a common foreign and security policy (CFSP), social policy, the environment and regional development. Crucially, the Treaty also transformed many of the voting procedures within the European Council, the executive body assembling the heads of member states. In several key areas, the Council now required only qualified majority voting (QMV) instead of the previous unanimity rule to enact new legislation. This step was designed to unblock the decades-old Council habit of stalling or watering down new initiatives, which had reduced institutional efficiency and the rate of integration. Equally, the TEU granted the European Parliament, the only directly elected body within the EU, new powers of co-decision with the Council and a role in confirming the Commission.

Though the EMU and the CFSP sections of the TEU drew most of the attention at the time, the Social Policy Protocol attached to the Treaty represented no less of a milestone in the development of the Community. It stands out for several reasons. First, aspects of the EU’s traditional social policy were further enhanced. Areas such as European social partnerships between trade union and management organizations and the protection of employee rights among the member states embodied a unique international

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5 The Social Protocol to the Maastricht Treaty was signed by all member states except the UK. Its exclusion from the main body of the Treaty resulted from the fact that the Treaty only included measures agreed unanimously among all Member States. In effect, the Protocol officially recognized the British ‘opt-out’ from the Social Agreement approved by the other 11 member states in October 1991 while granting permission to the 11 to pursue the Social Agreement through regular EU channels.
experiment that effectively removed traditional national borders between sovereign states to a degree that was unmatched worldwide in the social field.

Second, by institutionalizing three specific Euro groups, representing Community-wide labor or management interests specifically, within the Community’s official decision-making process, the Protocol fundamentally redefined the concept of international legislative power and the political impact of interest groups. With no equivalent comparison anywhere in the world, the incorporation of these three groups within the EU’s supranational policy structure dramatically reconstitutes the very definition of a modern interest group: certain Euro lobby groups representing the specific interests of a limited population sector are now intrinsically involved in the initiation and shaping of EU-wide social policy. Simply stated, the outsider has become an insider.

Once the Social Protocol entered into force in 1993, thereby becoming mandatory throughout the eleven member states involved, labor and management representatives from the three Euro groups were entitled to jointly initiate certain areas of social policy legislation for the EU and present their agreement to the Commission. Furthermore, in limited areas of social policy, the agreement between labor and management was sufficient to authorize implementation in the member states, sidestepping the need for EU

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6 Under Article 3.4 of the TEU’s Social Protocol, UNICE, CEEP and ETUC were recognized as integral participants in the initiation of social policy legislation. I will use the term ‘Euro group’ to describe the broad structure of pan-European special interest groups that developed within the EEC. UNICE stands for Union of Industrial and Employers’ Confederations of Europe, CEEP stands for the European Centre for Employers and Enterprises providing Public services, ETUC stands for European Trade Union Confederation.

directives entirely. Such an official recognition of interest groups by the EU is unprecedented and represents the culmination of a long process of adaptation and integration by Euro groups across several policy fields. While it has been widely acknowledged that the concrete achievements of this social partnership have failed to match its potential since 1992, this does not detract from the unprecedented step taken to establish the mechanism within the TEU Protocol and would not be the first Community innovation to underachieve before eventually contributing to longer-term meaningful progress.

In this chapter, I will trace the development of the relationship between Euro groups and the EC, with special emphasis on social policy lobby groups, and explain how three of them in particular reached the unique degree of integration enshrined in the TEU. While much has been written about the role of governments and Community institutions in the long process of Community integration, the story remains incomplete without exploring the role of external interest groups in the same process. In reality, the close relationship that emerged between Euro groups and Community institutions during the 1980s that facilitated the creation of the TEU was not a sudden event but resulted from decades of gradual cooperation and many dead ends.

This chapter will examine some of the key turning points in this relationship during those formative years, including many failed initiatives that later resurfaced and

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8 According to article 4 of the Maastricht Treaty Protocol on Social Policy, “Should management and labour so desire, the dialogue between them at Community level may lead to contractual relations, including agreements.” and, “Agreements concluded at Community level [between management and labor] shall be implemented…in accordance with the procedures and practices specific to management and labour and the Member States…” Source: http://www.eurotreaties.com/maastrichtprotocols.pdf, (24 March 2013).

9 The European Regional Development Fund was established by Regulation (EEC) No. 724/75 in March 1975 (OJ L 73 of 21 March 1975). Initially, it was worth about 1.3 billion units of account, or just 4% of the total EC budget. By 1991, it was added to the EC’s new structural funds, which accounted for 28% of the total budget. http://aei.pitt.edu/10859/01/116-Thomson-10-21-76.pdf
entered into force through legislation or treaty. By looking at these turning points, I hope to place the Community’s social policy achievements in their historical context. Although social policy interest groups achieved the most advanced form of cooperation within the EU, theirs is just one of many policy areas involving interest group-EU interaction since 1958. During the 1950s and 1960s, the first generation of Euro groups featured those concerned with agricultural policy. Although they enjoyed dramatic success in many instances, they also suffered from fundamental weaknesses that limited their ultimate impact. In many ways, the experience of the agricultural policy lobby groups of the 1960s provided great guidance to subsequent groups in the environmental, regional and social fields.

Finally, I will examine how the Commission took the initial leading role in promoting the integration of interest groups within the Community policy system and later benefited from the leverage provided by close relationships with these groups, especially when competing with member state governments and the European Council.

The EEC Structure

The principle founding institutions of the EEC consisted of the Council of Ministers, the Commission, the European Court of Justice, the European Assembly and the Economic and Social Committee. Initially, the centre of power in almost all areas of politics remained in the national capitals, represented by Foreign Ministers in the Council of Ministers. As a consequence, national interest groups naturally focused their resources

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10 Comité des Organisations Professionnelles Agricoles (COPA) was founded in 1958 and the General Confederation of Agricultural Cooperatives (COGEC) was founded in 1959. They merged in 1962.
there. The social policy interest groups proved no exception to this general developmental pattern well into the 1960s.\textsuperscript{11}

Under the 1957 Treaty of Rome, the Community’s power in the social field was restricted and left somewhat vague. As befitted the founding document for an untested regional experiment, the precise allocation of power to the Community institutions was understandably absent. Nonetheless, the genesis of future cooperation was outlined in broad terms. Articles 48-51 encouraged the freedom of movement of workers between member states\textsuperscript{12} and Articles 117-122 promoted common worker health and safety standards as well as equal pay between men and women. The latter concept proved valuable in legitimizing the EEC’s subsequent role in gender equality legislation. Within the overall plan for the creation of a Customs Union and Common Market, these goals were to be pursued in conjunction with the freedom of movement of capital, goods and services.\textsuperscript{13} In practice, the degree to which Community influence would overlap with national sovereignty remained unclear for many years.

As the EEC gradually defined its sphere of influence during the 1960s, the control of power oscillated between the intergovernmental Council of Ministers and the supranational Commission. One of the unique carry-overs from the predecessor to the EEC, the European Coal and Steel Community (ECSC), the European Commission represented a unique institution. According to the Treaty of Rome, unlike any other

\textsuperscript{11} The European Trade Union Confederation (ETUC) was not created until 1973.


\textsuperscript{13} The free movement of goods is covered under Articles 9-11, Services under Articles 59-66, Capital under Articles 67-73. Source: “Treaty Establishing the European Economic Community”.
political institution of the time, the unelected Commission enjoyed the exclusive power of policy initiation within the Community. Furthermore, under Article 235, in the context of developing the Common Market, it legally held the crucial power to expand its policy reach into domains traditionally run by national governments. As the 1960s progressed, this expansionary aspect of its Treaty power proved controversial.

Of course, in the political environment of 1958, when the General Agreement on Tariffs and Trade (GATT), regional defense organizations and all UN bodies were built on the foundation of sovereign states, the six member states of the EEC never really contemplated the Commission acquiring any serious power from them. The Treaty goals were expected to be achieved by retaining executive power in the Council of Ministers, an institution consisting of national government ministers and answerable to national capitals. The novel Commission concept was acceptable to member states as long as it stuck to its limited role of coordinating economic growth in Western Europe.

Originally, the entire raison d’être of the supranational High Authority within the ECSC lay in the urgent need to sidestep the thorny question of foreign states controlling German coal and steel resources after the War. As an objective, non-state entity, the High Authority was appointed to symbolically spearhead a coal and steel community among former enemies. It was hoped that Europe would benefit materially, peace could be consolidated and the member states could still exercise executive control. In the

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14 Article 235 of the Treaty of Rome states, “If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.” Source: “Treaty Establishing the European Economic Community”.

words of Jacques Delors, ‘This sentiment of ‘wanting to act together’ then engendered, by means of the habits of exchange and cooperation, the feeling of ‘wanting to live together’.’

Fundamentally, the High Authority owed its existence to a convenient solution to a Westphalian political conundrum, not to any strong supranational aspirations of the said states. In any case, as the blueprint of the ECSC had shown, a supranational authority could prove useful and this fact ensured that it was mirrored, through the Commission, in the Treaty of Rome establishing in 1957. Just in case though, the signatories of the Treaty of Rome granted the Commission fewer powers than had the ECSC’s High Authority and symbolically demoting its order of appearance in the Treaty from first to third. Given this apparently unpromising state of affairs in the early 1960s, it is ironic that the most active and productive relations between interest groups and the EEC over the next 50 years actually occurred through the channel of the Commission.

The Commission and Council of Ministers were not the only institutions created by the Treaty. There were three other relevant bodies that completed the core institutional structure. First, under Articles 193-198, an Economic and Social Committee (ESC) was a broad grouping of sectional experts established to advise the Commission and the Council of Ministers on a wide variety of social, agricultural, business and

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17 “…the evolution of the European Community since 1945 has been an integral part of the reassertion of the nation-state as an organizational concept….The EC only evolved as an aspect of that national reassertion and without it the reassertion might well have proved impossible. To supersede the nation-state would be to destroy the Community.” Alan S. Milward, The European Rescue of the Nation State (Berkeley: University of California Press, 1992).
professional issues. The ESC recognized social lobby groups relatively early but granted them little real power.

Nominated by member states and appointed by the Council, members of the Committee initially represented the only official channel for interest groups to access the EEC institutions. However, the ESC was soon found wanting for those sectional interests determined to impact EEC policy in a real sense. Under the Treaty, the Commission and the Council were only obliged to consult the ESC on a limited number of issues and even then not obliged to take the opinion onboard. Moreover, the ESC was often consulted at a stage of policy development too advanced for significant influence to be exercised. The combination of weak powers within the ESC and more promising alternatives of direct access to the Commission elsewhere convinced many interest groups that the ESC was never going to fulfill their ambitions. Indirectly, the ESC’s weaknesses forced Euro groups to take the initiative and develop more effective channels of engagement with EEC institutions.

Second, under Articles 137-144, a European Assembly was created to perform an advisory and supervisory role on EEC activities. Until it was directly elected in 1979,

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18 Under Article 193, “An Economic and Social Committee is hereby established. It shall have advisory status. The Committee shall consist of representatives of the various categories of economic and social activity, in particular, representatives of producers, farmers, carriers, workers, dealers, craftsmen, professional occupations and representatives of the general public.” Source: “Treaty Establishing the European Economic Community”.


20 Under Article 137, “The Assembly [European Parliament], which shall consist of representatives of the peoples of the States brought together in the Community, shall exercise the advisory and supervisory powers which are conferred upon it by this Treaty.” Source: “Treaty Establishing the European Economic Community”.

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the Assembly consisted of members of parliament sent from the member states. To this extent, it was designed to question and approve the activities of the Commission and Council and provide a limited form of democratic accountability. Under Article 144, it had the authority to dismiss the Commission. Otherwise, its powers remained quite limited initially, restricted by the existence of national parliaments and the mistrust of supranational governance within the Council.

Finally, under Articles 164-188, the Treaty created the European Court of Justice (ECJ) to ‘ensure that in the interpretation and application of this Treaty, the law is observed.’\(^\text{21}\) Initially, member states, the Commission and national courts were allowed to bring Treaty infringements or questions of EEC law before the Court. Though originally limited to issues under EEC control, the ECJ gradually increased its influence due to the expanding nature of the EEC spheres of interest and its own broad interpretation of its jurisdiction. This expansionary approach by the Court would play an important role in the creation of Euro groups.

**The Origins of Euro groups**

Although national interest groups predated the Treaty of Rome, their role and structure changed quite radically over the lifetime of the EEC. When the EEC was created, in 1958, most interest groups were far from the sophisticated entities they later became. The majority functioned merely as a conduit for information to their members, with little focus on lobbying power centers in the modern sense. In terms of organization, they were primarily focused on national government departments, since that

\(^{21}\) Treaty of Rome, Article 164.
was where executive power was exercised. However, as the EEC began to assume policy drafting and executive power in a growing number of fields, interest groups from areas directly touched by Community influence began to treat it as a serious entity and addressed it accordingly. This change involved national groups adapting their structure as well as initiating contact with equivalent groups from other member states.

There were four main reasons for this change in relationship. First, within a short time, the Community enjoyed genuine cross-border influence in agriculture and commercial policy directly impacting member states and their citizens. By the mid-1960s, agriculture occupied 70% of ministers’ time in the Council and 95% of the EEC budget. Within agriculture, the Community’s Common Agricultural Policy (CAP) superseded national agricultural plans from the early 1960s. Since prices paid to European farmers for grain, milk and beef were then decided in Brussels, national farmer organizations quickly turned their attention to this new seat of power.

In international commercial policy, the Community focused on reducing tariff barriers, reflecting a broader international trend toward tariff barrier reduction under the

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24 “The beginning of the common markets in agriculture can be traced to the Council of Ministers agreements of December 1964, when the unification of grain markets was decided…” William F. Averyt, Agropolitics in the European Community (New York: Praeger, 1977) p. 43.
25 “Community farmers quickly organized to make their voices heard in EC institutions. They had little choice. By the mid-1960s, decisions on farm prices and protection against foreign competition had shifted from Paris and Bonn to Brussels….New centers of decision, such as the European Commission, now drafted proposals on the following year’s wheat prices, and other bodies such as the Council of Ministers made the final decisions on these proposals.” William F. Averyt, Agropolitics in the European Community, p. 1.
Within the member states, industrial and commercial interest groups began to cooperate in anticipation of increased EEC commercial powers. Consequently, the first interest groups to become organized on a European scale emerged from farming and commercial interests.\(^\text{27}\)

Second, as the Commission quickly recognized its limited resources, it opened its door to interest groups, who offered valuable technical expertise, greater legitimacy for the Commission’s role and a domestic lever of influence on member state governments. From early on, the Commission made a crucial decision to offer prioritized access to Euro groups as opposed to purely national organizations. As a result, traditionally nation-based interest groups received a significant incentive to cooperate with their neighbors on a wider European-scale restructuring.\(^\text{28}\) Although the Commission is just one institution of the EEC, it has proved especially attractive to interest groups dedicated to defending their constituents. In particular, the Commission’s multiple competences are crucial. Based on the Treaty, it holds exclusive powers of legislative initiation, executive powers of budget allocations and legal powers to bring infringements of EEC law before the ECJ.\(^\text{29}\)

\(^{26}\) “The policy makers of the 1950s were more concerned about tariffs than non-tariff barriers to trade, a preoccupation and ‘set of ideas’ also reflected in the GATT.” Helen Wallace & Alasdair R. Young, “The Single Market: A New Approach to Policy”, in Wallace & Wallace, Policy-Making in the European Union, third edition, p. 128.

\(^{27}\) In 1958, the pan-European farming body, Comité des Organisations Professionnelles Agricoles (COPA), and the pan-European employer organization, Union des Industries de la Communauté européenne (UNICE) were created. The Association of Chambers of Commerce and Industry (EUROCHAMBRES) was also formed in 1958. Justin Greenwood, Representing Interests in the European Union (New York: St. Martin’s Press, 1997) p. 123.

\(^{28}\) “The chief incentive for farmers to organize on the Community level is the Commission’s rule of dealing only with Eurogroups, not with national interest groups.” William F. Averyt, Agropolitics, p. 3.

Third, as an unelected institution, the Commission could not compete with the Council on the grounds of democratic legitimacy. However, by engaging with Euro groups, it could reduce this democratic deficit and claim at least some popular legitimacy. Finally, the ECJ intervened during the early 1960s to play the role of catalyst for enhanced Community and interest group relations. In the historical 1963 ruling, Van Gend en Loos,\textsuperscript{30} the ECJ ruled that EEC legislation had the power of direct effect in specific areas within the gambit of the Treaty. In practice, this meant that certain EEC directives and regulations could bypass national authorities and impact their target directly. In many ways, this ruling changed the rules of engagement between interest groups and the EEC, for the Commission in particular, as the former were now obliged to lobby Brussels directly in crucial policy areas.

In the mid 1960s, the number of Euro groups already set up to engage directly with the Commission across all areas of power had already grown to over 300 bodies.\textsuperscript{31} While consisting of groups of diverse size and focus, in terms of influence and organization, the vanguard groups of the era consisted of the Committee of Professional Agricultural Organizations (COPA), the Union of Industrial and Employers’ Confederations of Europe (UNICE) and the Common Market Secretariat of the International Confederation of Free Trade Unions (ETUS).\textsuperscript{32}

\textsuperscript{30} Case 26/62 Van Gend en Loos [1963] ECR 1, paragraph 11 “The Community constitutes a new legal order of international law….Community law therefore not only imposes obligations on individuals but it also intended to confer upon them rights which become part of their legal heritage.”

\textsuperscript{31} E.J. Kirchner, Trade Unions as a Pressure Group in the European Community (Farnborough: Gower, 1980) p. 18.

COPA

The creation of COPA resulted from the 1958 Stresa conference, a meeting between the Commission and the Ministers for Agriculture from the six member states to decide the shape of the planned agricultural policy. At Stresa, where national agricultural interest groups were invited as observers, the Commission pressed for the creation of a single Community-wide voice for the farming sector. Subsequently, the rules governing the relationship between the Commission and the new pan-European entity, COPA, were drafted by the Commissioner for Agriculture, Sicco Mansholt. While COPA offered European farmers a new and effective path to the corridors of power in Brussels, it achieved maximum impact when coordinated with its national members, which continued to lobby member state ministers before they traveled to Council meetings in Brussels. This complimentary approach, featuring a simultaneous push on national ministers forming the European Council of Ministers, European Commissioners, COREPER delegates and even the European Parliament, ensured a consistent and powerful message from Community policy initiation to execution.

For most of the 1960s, by virtue of their status as recognized representatives for the agricultural community, COPA leaders had privileged access to EEC institutions and

33 Held at Stresa, Italy, between July 3 and 12, 1958, the meeting sought to define the foundation of the future CAP beyond the terms of the Treaty of Rome.
34 “But for various reasons, and especially because ministers are more often to be found in their national capitals than in Brussels, the organizations concerned generally prefer to approach them on their home ground.” Paul Lewis, “How much do pressure groups influence the Executive of the Common Market?”, Communauté européenne, October 1964, No. 10, p. 3.
35 COREPER, the Committee of Permanent Representatives, is a committee consisting of national ambassadors to the EEC, permanently located in Brussels. Its importance results from its power to resolve policy issues before they reach ministerial level.
a close ally in Commissioner Mansholt. Since the Treaty of Rome remained vague on the specificities of CAP and almost the entire Community budget was spent on the policy, COPA had an incentive to organize quickly and to press for its voice to be heard as the Commission and the Council defined this cornerstone policy.

The organization of COPA set the blueprint for future interest groups on the European stage in several ways. First, although consisting of national representatives, COPA’s very existence as a transnational interest group confirmed the shift of power from national capitals to Brussels within the specific area of agricultural goods pricing and market regulation. Second, partly thanks to the initial pressure from the Commission and the structural independence of COPA leadership, the organization spoke with a single voice on Community agricultural affairs. Third, it was well funded, benefiting from the long track record of fund raising among national farming organizations. Despite receiving no funding from the EEC, between 1959 and 1970, its overall budget increased from USD17,500 to USD137,500.

However, COPA’s structure and novelty were also responsible for several weaknesses that threatened to undermine its dominance. The organization was breaking new ground and, as such, experienced a steep learning curve. First, as a peak organization, consisting of an elite delegation from each member state, COPA represented a privileged strand of agricultural production and its lobbying reflected its background of large-scale farmers and wealthier producers with vested interests in price-

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driven policy\textsuperscript{38} that overlooked the more marginal farmers incapable of ramping up efficiency or production to the same extent.\textsuperscript{39} Moreover, since national farming organizations were already aggregates of regional organizations, the addition of another layer at the European level further distanced the average farmer from his COPA representatives and ensured that the final demands of COPA were highly aggregated.

Second, as COPA became increasingly seen as an elite and pro-EEC body among the European farming community, several competitors emerged in the late 1960s to challenge its monopoly. Most notably, the COMEPRA,\textsuperscript{40} a Communist-leaning pan-European farming organization, accused COPA’s larger farmers of profiting excessively from CAP and demanded equal recognition from the Commission. Although the Commission had recognized Communist farming unions in 1969 as legitimate spokespeople for sections of the farming community, it failed to recognize COMEPRA as an equal to COPA due to potential political consequences within member states in the early 1970s, not to mention the fact that COMEPRA was a strong critic of the entire EEC project.\textsuperscript{41}

Finally, the role of the Commission, the main supporter and primary contact point for COPA within the EEC, declined from the mid 1960s as a result of the 1966

\textsuperscript{38} By 1991, the situation was untenable. According to then Commissioner for Agriculture, Ray MacSharry, “80% of the support provided by [CAP] is devoted to 20% of farms….the existing system does not take adequate account of the incomes of the vast majority of small and medium-size farms.” “Reforming the CAP”, Brussels, 1 February 1991, in Harryvan & van der Harst, eds. Documents on European Union, p. 255.

\textsuperscript{39} “COPA leaders thus represent an elite of elites. …Most of the members of the COPA Presidium own more than 100 hectares of land. The average Community farm is only 17 hectares.” Averyt, cited, p. 75.

\textsuperscript{40} Comité Européene pour le Progrès Agricole.

\textsuperscript{41} Regarding Commission reticence towards COMEPRA, Averyt states, “Not only do they show that all is not for the best in the sectors administered by the Community, such as agriculture. It is also dangerous for the Commission to deal openly with these groups if they represent political forces opposed to the current governments of key Member States.” p. 88.
Luxembourg Compromise, the appointment of less Community-minded commissioners and a general return to national solutions within the Community. COPA had close links with the Directorate-General for Agriculture within the Commission and effectively owed its existence to the commissioner for agriculture, Sicco Mansholt. For the Commission, COPA provided a useful vehicle for communicating with farmers and legitimizing its actions to the public. However, even Commissioner Mansholt recognized the limitations of COPA, as he occasionally sidestepped the organization and spoke directly with national agriculture groups, thereby undermining COPA’s legitimacy.42

As the principle structure of the CAP became a major part of the acquis communautaire in 1968, COPA had achieved its initial purpose and subsequently devoted its time and effort to keeping its gains as opposed to working constructively with the Community to seek reforms once it became clear, in the 1970s, that the CAP system was creating dangerous levels of overproduction which dragged down the rest of the Community budget and frustrated foreign trade partners.43

Fundamentally, the CAP linked farmer payments to production as opposed to providing direct income support. In the context of a continent recovering from war and seeking self-sufficiency in food production, this system succeeded in promoting rapid increases in production during its first decade. However, by the 1980s, overproduction had reached critical levels and was perversely costing the Community millions in surplus storage. From 1975 to 1991, the cost of the payment section of CAP alone had risen

42 “As the Commission itself approaches national groups directly, the responsibility of COPA to represent these national groups is undermined.” Averyt, cited, p. 86.
43 “Between 1973 and 1988, the volume of agricultural production increased by 2% per annum whereas internal consumption grew by 0.5% only per annum.” “It has led to the Community having to export more and more onto a stagnant world market. This goes some way towards explaining the tension between the Community and its trading partners.” Commissioner MacSharry, “Reforming the CAP”, p. 254.
from 4.5 billion ECU to 31 billion ECU.\textsuperscript{44} Apart from a few minor modifications in the early 1970s, the CAP deal negotiated in the 1960s remained largely intact until the late 1980s. Perhaps a narrow success for COPA but a destructive force for EEC harmony in general.

By the mid-1980s, the CAP had become a bull in the china shop of budget controls, a roadblock to achieving any significant progress in other common policy areas and a serious cause of tension with trading partners, who resented the high tariffs applied to their exports, the dumping of excess European produce on international markets and the absolute refusal of Community officials to negotiate trade liberalization with them in the agricultural sector. The economic and political runaway train that CAP had become by the 1980s resulted mainly from the open collusion between specific member states, a series of compliant Commissioners and a resourceful COPA. In a sense, it was the perfect example of extremely constructive and efficient cooperation between institutions and interest groups that unfortunately focused on the perpetuation of an extremely destructive and inefficient policy. Perversely, it demonstrated how a well-organized and powerful pan-European interest group could achieve significant success within the EC when supported by key member states and institutions.

Once the Delors Commission entered office in 1985, the CAP situation had to be addressed if the wider plans for the single market were to be advanced. Besides eliminating a serious political obstacle to greater integration, CAP reform would also free up useful funds essential for compensating poorer countries for trade liberalization within the single market and later EMU. According to Ross, Delors changed the narrative of

\textsuperscript{44} “Reforming the CAP”, p. 255.
CAP by linking it directly to urgent changes in overall budgetary structures for a new era and essential budget increases in light of the Single European Act and its structural funds component. 45 Despite the strength of the agricultural lobby, embodied in COPA’s status as the official representative of the EC farming community, the Delors Commission succeeded in enacting the first real CAP reforms since the 1960s through the first Delors budget package in 1988 and the MacSharry CAP reforms in the early 1990s. Principally, this was achieved through a shift away from production-related payment incentives towards income supplementation. Without this key breakthrough, the disastrous growth of butter mountains and milk lakes would have continued and the move towards a single market would have proved much more difficult.

**UNICE-BUSINESSEUROPE** 46

UNICE formed around the same time as COPA but proved more durable. Since its foundation, UNICE has been a ‘peak’ business association, representing the interests of Europe’s national industrial federations. 47 Since the EEC project was dedicated to founding an economically liberal and business-friendly market for industrial products and services, 48 business interests in the member states had a strong incentive to organize early on a pan-European basis. This trend was not limited to Europe. In terms of trade and

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45 Structural funds represented “a set of budgets dedicated to regional development policies.” The “chronic financial bleeding of the CAP had to be confronted…by joining these three problems into a single proposal.” George Ross, *Jacques Delors & European Integration*, p. 40.


47 According to the BUSINESSEUROPE website, the initial purpose of the organization was “…to track the political consequences of the Community created by the Treaty of Rome.” [http://www.businesseurope.eu/content/default.asp?PageID=601](http://www.businesseurope.eu/content/default.asp?PageID=601), (1 April 2013).

economic policy, the guiding principles of the EEC mirrored what was happening in international trade during the 1950s. Through the multiple GATT rounds, beginning in the late 1940s, post-war economic recovery was being driven by the dismantling of trade barriers and tariffs worldwide.\textsuperscript{49} In many ways, the economic ideology within the Common Market merely represented a regional vehicle for this approach, albeit intending to go several steps further in specific areas, and business interests could not afford to be excluded.

By 1964, and the Kennedy Round of the GATT, UNICE had already achieved enough credibility within the Commission and Council for its technical expertise that it was involved in drafting the Community’s official list of exceptions to the linear reduction formula to be negotiated among all GATT members. At the time, the European structure of UNICE allowed the Commission the possibility of consulting European business interests without treading on the feet of national governments that did not appreciate direct contacts between the Commission and national industries.\textsuperscript{50} In the same year, UNICE was also informally invited and attended 65 meetings under the various services run by the Commission.

\textsuperscript{49} “The fifth Round (Dillon Round) opened in September 1960 and was divided into two phases: the first was concerned with negotiations with EEC member states for the creation of a single schedule of concessions for the Community based on its Common External Tariff; and the second was a further general round of tariff negotiations….the Round was concluded in July 1962 and resulted in about 4,400 tariff concessions covering $4.9 billion of trade.” Source: World Trade Organization website, “50\textsuperscript{th} Anniversary of the Multilateral Trading System.” \url{http://www.wto.org/english/thewto_e/minist_e/min96_e/chrono.htm}. (31 March 2013).

\textsuperscript{50} “In practice, the Executive itself had an interest in granting to these organizations the semi-official recognition that they currently enjoy: they constitute a rich mine of technical information. For example, the drafting of the Community list of exceptions to the linear reduction formula proposed for the Kennedy Round negotiations was greatly facilitated by [UNICE].” Paul Lewis, “How much do pressure groups influence the Executive of the Common Market?”, \textit{Communauté européenne}, October 1964, No. 10, p. 2. \url{http://www.cvce.eu/viewer/-/content/03a050e2-4b56-4a7f-9ebb-8813e74af60/en}. (4 April 2013).
As a ‘peak’ organization, UNICE faced several challenges: aggregate positions agreed among many national federations, a formal reluctance to intervene in sector-specific affairs and competition from large multi-national firms capable of funding their own specific lobbying mission. With significant resources available to large corporations, they could afford to gain direct influence with the Commission or national governments, skipping the transnational representative body altogether.51

Despite its limitations, UNICE became a valuable partner of the Commission during the early phase of its existence, entering the narrow circle of top-tier interest groups, including COPA. Formally, UNICE and other major interest groups interacted with the Commission through the latter’s many consultative committees, which are ‘composed of representatives of sectional interests and are organized and funded by the Commission without reference to the national governments.’52 Informally, and perhaps more effectively, the major interest groups met with Commissioners and DG officials constantly, creating familiarity, which was reinforced by a diverse flow of written communications in the form of information, briefings and policy documents.53 Although the Commission offers the easiest access for these groups, they also interact with the European Parliament and, to a lesser degree, the Council.

51 In the 1980s, UNICE was challenged by the creation of two direct-membership associations: the European Round Table of Industrialists (ERT) and the EU Committee of the American Chamber of Commerce (AMCHAM). “ERT and AMCHAM are modern transnational interest groups geared to the needs and demands of European politics in the approaching twenty-first century…more an exclusive club representing interests drawn from rich firms.” Greenwood, p. 104.


53 The scope of the flow of information from interest groups to the Commission was wide. In one memo to the Commission in 1970, UNICE outlined several principles it hoped would be respected during accession negotiations with the candidate countries. These included a full acceptance of the political goals of the Treaty, continued progress towards EMU, and a short transition time for new member states. “Enlargement of the EEC”, memo from UNICE to the Commission, 10 September, 1970, FB/HMC/AG/14. Archives of the EEC Commission, BAC 25/1980, pp. 198-201.
As a pan-European entity, the Commission’s preference, it became the privileged business partner of the Commission. Although it initially had a relatively limited impact on final Community policies, the familiarity that it built up with the Commission and its broad reach would eventually allow it to play a crucial part in the development of social legislation from the 1980s, when the political environment became more accepting of interest group involvement and the Commission proactively encouraged social dialogue on a European scale.

**Social Policy**

Social policy provisions within the Treaty of Rome were vague and unambitious,\(^{54}\) reflecting the preferred focus of governments of the late 1950s on market liberalization and economic growth.\(^{55}\) Nonetheless, the often unintended consequences of this liberalization process on the welfare of employees in the Community made social policy an increasingly unavoidable area for Community attention and offered opportunistic interest groups unique access to European policy formation. From the start, social policy emerged as a significant point of disagreement between the Commission and the Council, mainly due to the ambiguity of the Treaty on their respective authority.

On one side, the Commission exercised its role of Treaty guardian and sought an expansion of its supranational powers, especially under the headlines of health, safety and collective bargaining between employers and workers, areas enshrined within its sphere

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\(^{54}\) The principle articles with social elements were articles 2, 48-51, 117-121.

of interest under Article 118. On the other side, the Council reflected the priorities of the member state governments and endeavored to protect national control over social policy rules. Despite the Council’s intentions to restrict the Commission during this period, its hands were tied to an extent. Under Treaty article 235, the Commission had the legal right to initiate draft policy on any topic it interpreted to be of common interest; a very broad mandate and a crucial political lifeline that ensured its continued relevance regardless of Council opposition.

In such a confrontational context, the Commission actively solicited recognition of its role from as many sources as possible. Consequently, it welcomed collaboration with transnational interest groups, including within the social area. Based on these consultative relationships, the Commission enhanced its legitimacy before the Council and bypassed official national channels that were often hostile to supranational expansion. Among the first interest groups to form a relationship with the Commission on the impact of international trade was UNICE, who clearly had a parallel interest in social policy. While business interests were quick off the mark during the first decade of the EEC, trade unions took longer to organize on the European stage. Despite working together as members of the ESC, national unions remained divided by ideological and national barriers, placing them at a disadvantage to employer representatives when important social policy issues arose within the Community.

56 “Without prejudice to the other provisions of this Treaty and in conformity with its general objectives, the Commission shall have the task of promoting close co-operation between Member States in the social field, particularly in matters relating to: employment; labour law and working conditions; basic and advanced vocational training; social security; prevention of occupational accident, and diseases; occupational hygiene; the right of association, and collective bargaining between employers and workers.” Article 118, Treaty of Rome.
The ECJ and the Social Agenda

‘In many instances, we see the ECJ taking the lead in enunciating social and employment rights, often subsequently enshrined in legislation and, in some cases, the EC Treaty itself’

‘European law…has been a powerful instrument of policy-making and rule application.’

During the 1960s, tangible social policy action at Community level did not progress much beyond the Treaty provisions, partly explaining the low level of trade union engagement in Community affairs at the highest level. While COPA and UNICE were motivated to organize early due to growing EEC control of agricultural policy and trade policy respectively, trade unions were less motivated in the face of little real migration of social policy power from national capitals to Brussels.

Like many other issues covered in the Treaty, social policy was held hostage to the power struggle between the Commission and the Council that occurred during the 1960s. Indeed, between 1964 and 1966, the standoff became so serious that the Member State ministers for social affairs even refused to meet within the social Council in protest at the Commission’s ambitious interpretation of their social policy powers. In 1966, the Commission was put firmly in its place by the Council, which concluded an unofficial ‘gentlemen’s agreement’ obliging the Commission to consult with the Council before initiating any social policy proposals. In what became known as the ‘Luxembourg Compromise’, the Commission’s monopoly power of policy initiation was effectively

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60 Kirchner, cited, p. 92.
curtailed to the benefit of the Council. However, this institutional faceoff masked a more significant chain of events occurring within the legal sphere that would significantly impact social policy.

The fundamental purpose of the ECJ was to interpret provisions of the Treaty when disagreements arose among member states on policies under the Community’s control. In theory, this represented an objective judicial bulwark against any potential misinterpretation of the Treaty and, in 1958, national governments seeking economic stability and the establishment of modern liberal democracies were supportive of a European judicial body to fulfill this role. In practice, however, the ECJ became a powerful supporter of the expansion of Community competence, which created unexpected political consequences. According to Helen Wallace, ‘European law from early on made certain kinds of policy more feasible than others, and not always quite in the way that policy-makers had originally intended.’

The Court gradually created a case law that, while not explicitly having immediate impact beyond the specific cases involved, gradually created a crucial legal platform that favored the expansion of common policies and standards under the authority of the Treaty, including in the social area. Once this legal base was founded, it was by definition binding. Nonetheless, for this legal foundation to translate into real change in social policy, a concerted political effort was required from the Commission and Council to legislate and implement the Court’s decisions. However, in the context of the institutional gridlock of the 1960s, this concerted political effort failed to emerge.

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One specific example of European case law demonstrates how ECJ decisions indirectly impacted social policy and interest groups in particular from the mid 1960s onwards, helping reshape their approach to EEC institutions and national governments. Within the Court’s judgment on the *Vand Gend en Loos* case in 1963, it enshrined the principle of direct effect of EEC law, whereby certain aspects of Community law confer rights and impose obligations on individuals, as opposed to state bodies, which member state courts are obliged to recognize.\(^62\) Clearly, for any interest group created to represent a specific group of individuals within the EEC, this decision forced them to look beyond national authorities to the source of future potentially important legal rules with direct impact on citizens: the EEC.

According to Philippa Watson, the lack of specific Treaty provisions in the social field led to two mainly unforeseen consequences that later helped in the advancement of social legislation. First, in the absence of Treaty provisions, the Commission was restricted to issuing soft law measures, consisting of non-binding guidelines, declarations and opinions. Though of limited immediate consequence, this body of law did provide an indication of the Commission’s interpretation of social issues. For example, the Social Action Programme published by the Commission in 1974 contained 30 measures that outlined the Commission’s thinking on future social measures but in a non-binding programme format.\(^63\)

These measures included greater employee participation, fairer working conditions and the attainment of full and better employment, all aspirations equally

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\(^{62}\) Case 26/62 *Vand Gend en Loos* [1963] ECR 1, paragraph 11.

publicized by the trade union movement and promoted by the ECJ. Most were not immediately implemented into legislation but, in later years, when genuine legislative and executive power in social policy was bestowed on the Community through the SEA and TEU, a significant pool of soft law was already at hand and ‘their presence in the corpus of Community policy facilitated their enactment into law.’

Second, the lack of specific Treaty guidelines on social policy and the requirement for voting unanimity within the Council forced it to produce many watered-down and unclear decisions for the sake of agreement. As a result of these vague laws, cases were inevitably brought before the ECJ to seek clarification. When presented with such opportunities, the Court usually applied a more expansive interpretation than many member state governments appreciated. She concludes that the case law of the Court has been an important source of social and employment rights, claiming that ‘the right to equal pay, and the right to equality of treatment in the matter of occupational social security schemes, was established through preliminary rulings on reference from national courts.’

**Convergence: Trade Unions in 1960s**

The regional trade union movement in Europe during the 1950s reflected both the diverse national cultures within the region as well as the polarizing effect of the Cold War on the global trade union movement, with groups divided along ideological and

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64 Watson, cited, p. 6
national lines. In 1950, most European trade unions were affiliated with three main international confederations, featuring quite different guiding principles.

The International Confederation of Free Trade Unions (ICFTU) included social and social democratic unions, such as the British Trade Union Congress (TUC) and the German *Deutscher Gewerkschaftsbund* (DGB). The Communist-dominated World Federation of Trade Unions (WFTU) remained the largest global union organization and included the French CGT and the Italian CGIL. Finally, the International Confederation of Christian Trade unions (ICCTU), becoming the World Confederation of Labour (WCL) after 1968, featured major Christian trade unions.

From the ICFTU sprang the ‘Committee of 21’ regional confederation to unite national confederations within the newly-formed ECSC in 1952. The ICFTU continued as a broader umbrella group for member confederations within and beyond ECSC borders. Following the creation of the EEC in 1957, the ICFTU set up the European Trade Union Secretariat (ETUS), which absorbed the Committee of 21. By the time the EEC was launched, the main trade union confederations in Western Europe consisted of the ICFTU-affiliated ETUS and the ICCTU. Within the EFTA zone, the Trade Union Committee for the European Free Trade Area, (EFTA-TUC), represented national unions and was dominated by the British TUC. Broadly speaking, these organizations supported

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67 The European Free Trade Association was a loose association of European states, founded in 1960, based on free trade cooperation. The founding members were Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom.
the social goals and overall purpose of European cooperation, especially when it involved bringing trade union and employer representatives together.

‘The representatives of the ICFTU free trade union movement note with satisfaction that the Commission will soon proceed with the study of certain social questions and that they will organize meetings between trade union and employer representatives.’

From the beginning of the EEC, the trade union representative organizations ran a multi-track strategy in their mission to influence Community social policy in favor of their members. First, along with many other interest groups, they participated in official Community institutions and committees, created to consult with the Commission in the creation of legislative proposals. Chief among these was the ESC, which is perhaps most notable for its early recognition of trade union representatives. However, despite its status as an official Community institution, the ESC enjoyed no power of coercion over the Commission or the Council.

As a result of this relative powerlessness, trade unions and employers’ groups supplemented their official channels of influence with unofficial channels, consisting of ad-hoc meetings with Commission officials and commissioners, frequent communications and press releases explaining their points of view on relevant policies, not just in the social field, and invitations to Commission members to attend and address


70 By 1973, trade unions and employer organizations cooperated within 15 EEC committees on topics from fishing to immigration, plus another 16 committees under the common Agricultural Policy (CAP).

trade union conferences and meetings. According to Harm Buiter, General Secretary of the ETUS during this period, ‘Practical experience has shown that effective influence in the Community must not be limited to giving opinions. The labor union view of current problems must be constantly made known to European authorities through daily contact.’\textsuperscript{72} In this regard, commissioners often addressed lobby group audiences at annual congresses.

In 1964, the commissioner for social affairs addressed the third European conference of Christian trade unions in Brussels. In his address, Commissioner Levi-Sandri told the audience that ‘Europe must not consist only of meetings between heads of governments and ministers…it must be a true human Community.’\textsuperscript{73} Lamenting that, by 1964, the political winds were no longer blowing in favor of supranational solutions in Europe, he urged the trade union movement to support the Commission’s supranational mission by uniting in a more solid European form to work together and better exploit the ambiguity in Treaty social provisions.

‘If all who have a voice in social matters work together, each according to his own responsibilities, the results we shall be enabled to achieve will perhaps be greater than would have been possible if the Treaty of Rome had defined the Community’s social policy less vaguely.’\textsuperscript{74}

\textsuperscript{72} Harm Buiter, ibid.
\textsuperscript{73} “European Democracy, Social Policy and the Role of the Trade Unions”, Address by Mr Levi-Sandri to ICCTU’s third European conference, Strasbourg, April 1964, Commission information memo, P27/64 (Brussels, April 1964) p. 1. Archive of European Integration, AEI.
\textsuperscript{74} Mr. Levi-Sandri, ibid, p. 2.
In 1966 alone, three commissioners, Hallstein, Mansholt and Levi-Sandri addressed meetings of the ICFTU or ICCTU in the space of one month.75 By the mid-1960s, the need for trade union unity was also gaining ground among union leadership.

‘Since Europe is integrating, European trade unions themselves must become more integrated. It is easy to see why a real confederation of European trade unions should occur in tandem with European integration, to respond when required to the problems posed to workers.’76

During the first decade of the EEC, for reasons already covered, the Commission took a leading role in the encouragement of trade union activity at Community level. In an effort to involve social partners in the decision-making process, the behavior of the Commission was certainly more proactive than that expected of an objective political institution. In the Commission’s view of the world, interest groups had an important role to play in the elaboration and the implementation of Community policies and, within social affairs, both sides of industry were indispensable to the advancement of their Treaty goals. Several Commission actions demonstrate their enthusiasm for the development of dynamic social partners in their interactions with the Council.

First, within the Commission’s Press and Information Service, the Trade Union Information Division was specifically created to inform and train the trade union movement on the potential impact of EEC policies and the functioning of the EEC institutions. In this role, the Division published press releases and arranged information

75 Mr. Levi-Sandri addressed the fourth European conference of Christian Trade Unions in October and both Mssrs. Mansholt and Hallstein spoke to the fifth general assembly of the ERO-ICFTU in November.
visits for various trade union delegations on a frequent basis. Later, it published a journal called the ‘Community Journal for Trade Unions’, produced to cover issues of relevance to the trade union movement in Europe.

Second, the Commission habitually met bilaterally with pan-European trade union leaders or with employer representatives at the highest level. For example, in June 1964, the President of the Commission hosted a senior delegation from the ICFTU. Though the press release merely stated that they discussed a wide range of economic and social issues, the fact that such meetings occurred confirm that the trade union movement was recognized as a valuable member of the Commission’s political allies, on a par with the employers’ organization.

Although the Commission led the way in terms of social partner contact, the Council of ministers for Social Affairs also engaged directly when required with the ICFTU and UNICE. In December 1967, as the deadline for the first stage of the Customs Union and Common Market approached, the Council of Ministers for Social Affairs hosted a joint delegation of social partners, where the prospects for a conference on unemployment and training were discussed.

For many reasons, 1969 proved a critical year for European and world trade unionism. First, ETUS was finally dissolved and replaced by the European Confederation of Free Trade Unions (ECFTU), representing national confederations

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77 During a four-month period in 1963, the Trade Union Information Division organized six, two-day information sessions for delegations from the ERO-ICTFU and the ICCTU. Information Note No. 3364/PI/63-F, Community Press and Information Service, Trade Union Division, March 1963. AEI.
78 “The Commission recognized the decisive contribution which the free trade unions have made to the establishment of the Community by their support in the task of uniting Europe.” EEC press release, IP (64) 121, June 9, 1964. AEI.
79 Press release, 1783/67, General Secretariat, Council of the European Communities, Brussels, 21 December 1967. AEI.
within the EEC. Second, the main umbrella group for Christian trade unions in Europe, the ICCTU, changed its name to the EO-WCL. Third, the Italian CGIL broke away from the WFTU and began to lobby the EC for recognition. Subsequently, the EC officially invited the CGIL to participate in the ESC on a par with the other member state unions in 1969.

While the blueprint of the EEC certainly influenced the convergence of European trade union confederations by the late 1960s, several other factors combined to make cooperation more possible and more advantageous for trade unions during this time. First, the trade union movement recognized that the more visible moves towards superpower détente provided a window of opportunity to unite previously competing worker organizations at regional and international level. If the superpowers could find some traction for convergence, so could the trade unions.

Second, within Europe, the events of 1968, de Gaulle’s resignation and the policy of Ostpolitik pursued by the new German Chancellor, Willy Brandt, added to the

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80 In the same year, the American confederation, the AFL-CIO, left the ICFTU.
81 According to the Commission, “the existence of the ETUC, which unifies members of all political persuasions, has been seen by many as a victory for regional trade union organization over the ideological differences which have long divided the European trade union movement. In this connection, the expansion of the European Communities proved to be an extremely important driving force.” Fritz Rath, “The Coordinates of Trade Union Policy for Europe”, in Wolfgang Lecher, ed., Trade Unions in the European Union: a Handbook, p. 252.
82 “The Soviet bloc is weakened by the Czechoslovakia crisis of 1968, the movements developing in Poland from 1970 and the deterioration of relations with the People’s Republic of China. The United States slides into the Vietnam War; a serious crisis spreads within their own public opinion and abroad.” (my translation) Guy Groux et al., “L’europeanisation du mouvement syndical: la CES”, Le Mouvement Social, No. 162, Syndicats d’Europe (Jan-March 1993) p. 47. AEI.
dynamic of change that eventually contributed to the emergence of a new brand of European trade unionism.  

Third, as the EC Customs Union was completed in 1968, it became apparent that transnational business mergers would continue to increase and multinational firms would seek to spread their influence across national borders, with clear consequences for job security and working conditions. According to the Commission, the number of business mergers recorded within the EC rose from a total of 1184 in 1965 to 2096 in 1968 and 1358 in just the first half of 1969. If labor organizations failed to keep up with the transnational growth of capital, the future of European employment conditions could be dictated by employers alone. This mismatch was highlighted by the fact that, in 1969, most national employer confederations accessed the Commission through a single organization: UNICE. At the same time, European trade unions were divided into five international umbrella groups dedicated to lobbying in Brussels. Equally, as a consequence of the Customs Union completion, not to mention the CAP, the Commission’s importance had been enhanced as a source of political power within the

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84 “In other words, what was happening was a social-democratic hegemony…based at the same time on a reformist tradition from the lay workers’ movement, the refusal of all totalitarianism, from Fascism to the Soviet model, a relatively long distancing from the superpower structure, the adhesion to the principles of independence from parties and states, social justice and regulation.’ Guy Groux et al., “L’eupeanisation du mouvement syndical: la CES”, Le Mouvement Social, p. 50. AEI.


86 “We are faced with uncontrolled capitalist internationalized economy, particularly serious in Europe, caused by technology, economic forces and the formal liberalization of trade through the Treaty of Rome…The Common Market institutions, through an old-fashioned philosophy of competition have been generally oriented towards freedom for big business and multinational companies.” ETUC, “Draft Action Programme of the ETUC”, 17th December, 1973, p. 1. Presented at ETUC Congress, 23-25 May, 1974, Copenhagen. Source: Archive of the International Institute of Social History. (IISH)

EEC. International labor could not ignore this situation and had to engage both the Commission and European industry as a united front.

Finally, in the face of a globalizing marketplace, it was becoming apparent among trade unions that national governments were increasingly limited in their ability to tackle important transnational employment challenges raised by inflation, technology changes and energy supply.

‘…a trade union movement limited to national economical and political activity is no longer capable of securing the interests of its members and pursuing their class-based political aims. These are questions which cannot be solved any longer at the national level’

**Social Policy Revived**

Then, in 1972, as the accession of several EFTA members to the EC approached, and as the need for a single trade union voice within the EC institutions became essential, the ECFTU and the EFTA-TUC negotiated the basis of a new representative organization that united EC, EFTA and non-affiliated national confederations. In February 1973, after decades of organizational fragmentation and ephemeral acronyms, this new group, the European Trade Union Confederation (ETUC), was created after ‘considerable internal discussion and a majority vote’. Initially, the ETUC consisted of seventeen national confederations of trade unions, all equally members of the ICFTU. When the ETUC was joined by the EO-WCL in 1973 and the Italian CGIL in 1974, Western Europe finally

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88 “In the past few years, unions in the EEC have become uneasily aware that more and more government decisions are being taken at European level.” “Unions into Europe”, *The Economist*, 9 September, 1972, p. 65.


boasted a genuine pan-European trade union lobby group that united the main national trade unions of Western Europe.

When British accession to the EC became likely under the Heath government from 1972, the British TUC led negotiations to merge the EFTA-TUC and ECFTU. Even though Great Britain and Denmark were the only EFTA members joining the EC in 1973, the TUC fought to open the ETUC to all of their former EFTA trade union counterparts. According to Dianne Hayter, one of the British delegates who founded the ETUC, the TUC and its leader, Vic Feather, sought to assemble as broad a coalition as possible among their European colleagues to prevent the ideological and functional detachment of the new ETUC from the rest of Europe. Feather would later be elected as the first President of the ETUC.

Since the TUC delegates were initially unenthusiastic participants in the EC, having rejected membership at their most recent conference, they tried to prevent the ETUC from being an exclusive club and becoming dominated by the Community agenda. The TUC mirrored the view of the Labour Party that the EC promoted industrial interests over labor and the accession deal negotiated by the Conservatives in 1972 was unfavorable to Britain and the working class. Moreover, ideologically, the TUC did not share the same opposition to Communist unions as their counterparts from the Six did.

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91 Britain never had that same antagonism to Communism. “The idea of having a trade union solely for the Common Market didn’t appeal to us, we wanted our EFTA people in because we were still a bit shy.” Dianne Hayter, interview with author, London, 15 February, 2011.

92 Describing the ideological preference of the continental ECFTU unions, Hayter says, “The word ‘free’ meant ‘anti-Communist’ and it was very important that it [ETUC] was a non-Communist trade union.” Dianne Hayter, interview with author.
In October 1972, the leaders of the EC member state governments held an important meeting in Paris to map out the new path for the EC, soon to be expanded to nine members. In many ways, it represented a resetting of Community social policy and an official recognition of trade union-EC relations. In the communiqué, the leaders outlined their desire to move from a purely market-based union towards a greater balance between economic and social harmonization, where labor and employers assumed greater input into Community decisions. In several key areas, the communiqué addressed some of the long-held and publicized grievances of the trade union movement and signaled an official approval from EC leadership for the incorporation of the social partners into the Community’s decision-making machine. In the Council statement of intent, both a reaffirmation of the aims of the founding Treaty of Rome article 117 and the seeds of the future TEU social protocol are clear.

‘The Heads of State….thought it essential to ensure the increasing involvement of labour and management in the economic and social decisions of the Community. They invited the Institutions, after consulting labour and management, to draw up, between now and 1 January, 1974, a programme of action providing for concrete measures….The programme should aim, in particular, at carrying out a coordinated policy for employment and vocational training, at improving working conditions and conditions of life, at closely involving workers in the progress of firms, at facilitating…the conclusion of collective agreements at European level…’

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93 “According to the ECFTU, ‘The social policy has not yet found its place among the Community policies….the institutions of the Community have degraded into inter-State edifices hardly able to take the necessary decisions.” Europe Documents, No. 699, 29 September, 1972 (Agence Internationale d’Information pour la Presse). Also, “The Hague Conference of…1969 had decided to reinforce, deepen and extend the EC…..the initiatives taken for the purpose of materializing both of these Hague summit objectives remain insufficient.” “Statement of the ERO-WCL in view of the European summit conference”, 29 August, 1972. AEI.

Buoyed by the high profile support for social policy from the Paris summit, ETUC and the Commission proceeded to forge a close relationship from 1973. Despite the obstacles encountered during the 1970s through international economic crises, internal ETUC organizational limitations\(^\text{95}\) and a preference for national solutions among member states, more frequent interactions on multiple levels between the ETUC, UNICE and the EC institutions within a framework of pan-European social partnership contributed to greater familiarity and a culture of negotiation that would gradually advance social policy higher up the EC agenda.

At its founding, in 1973, the ETUC represented over 29 million workers in Western Europe, across the EC, EFTA and several non-affiliated countries. By 1976, this number had grown to over 37 million.\(^\text{96}\) In its constitution, it aimed:

‘To represent and promote the social, economic and cultural interests of workers at the European level in general and in particular in respect of all European institutions, including the European Communities and the European Free Trade Association…and to safeguard and strengthen democracy in Europe.’\(^\text{97}\)

Despite its mass membership, privileged access and ambitious goals, the ETUC initially suffered from several weaknesses, common to many Euro groups, which limited its influence in discussions with the EC and UNICE. First, the confederation did not have the right to organize strikes among its members, a right guarded by national

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\(^{95}\) The ETUC was a ‘peak’ organization, a confederation of national and professional confederations. This complex structure resulted in slow and compromised decisions. This problem was compounded by lack of financial resources.

\(^{96}\) Roberts and Liebhaburg, “ETUC: Influence of Regionalism, Détente & Multinationals”, *British Journal of Industrial Relations*, cited, p. 266.

\(^{97}\) ETUC constitution preamble, cited in *ETUC: Its history, structure and policy*, p. 11.
confederations. Second, many national unions retained strong links to their home country or domestic political parties, relegating the ETUC to second place.

Third, ideological divisions remained deep between Communist-leaning unions, Christian unions and ‘free’ unions. The ETUC may have brought diverse ideological unions under one roof but their adversarial history could not be erased so easily. This problem became most evident in the on-off relations between the ETUC and the Communist CGT and CGIL. The apparent thaw at the summit of the Cold War during the early 1970s created a very slow trickle down effect.

Finally, from its arrival in the EC, the British TUC failed to embrace the existing institutional and informal expectations reserved for it, which weakened the overall impact of the ETUC. For example, conditioned by a more adversarial industrial tradition in Britain, between 1973 and 1976, the TUC refused to take its designated seats alongside employer representatives within EC institutions and committees, such as the ESC. As the largest national confederation within the ETUC, the TUC’s ‘empty chair’ policy deprived the ETUC of valuable votes on social and economic issues and dimmed the welcome from their continental comrades into the EC union family. In the end, the TUC was enticed to participate from 1976 by the combination of a Labour government and a solid 2:1 referendum majority in favor of Britain’s EC membership in 1975. However, TUC resistance to the EC would persist until the election of Margaret Thatcher in 1979, when

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99 E.J. Kirchner, cited, p. 164.
100 “The British trade unions had the ‘empty chair’. One of the things that were very important to our continental colleagues was the ESC, which had trade unions, employers and a third group of basically farmers and consumer people. The British trade unions did not take up their seats on the ESC.” Dianne Hayter, interview with author.
the Community became a useful platform against Thatcherism and neo-liberal economics.

Following the promising 1972 Paris summit, the Commission responded to the Council’s invitation\(^{101}\) and drew up a social action programme (SAP) by late 1973.\(^{102}\) Ideally, this program was intended to provide a basis for enacting Community legislation. Unfortunately, for all concerned, the economic situation in the intervening twelve months since Paris had deteriorated to a point where the Commission’s aspirations seemed destined to remain on the Council’s back burner.

Even before the document was published, the ETUC publicized its views on the necessary issues it believed should be addressed.\(^{103}\) According to their list, the SAP had to prioritize full employment, security of income, safety at work, price stability, independent collective bargaining agreements and the extension of democracy to the national and international economy. When the SAP was published, it featured three main objectives: full and better employment in the Community, the improvement of living and working conditions and increased participation by both employers and workers in industry. Clearly, the lobbying efforts of the ETUC and its predecessors had paid off as the program focused on three union priorities. According to Philippa Watson, ‘…the Social Action Programme marked the beginning of a period of relatively intense and

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101 The final communiqué declared that the Member States “attached as much importance to vigorous action in the social field as to the achievement of economic union…and considered it essential to ensure the increasing involvement of labour and management in the economic and social decisions of the Community.” “Statement from the Paris Summit, (19-21 October 1972), Bulletin of the European Communities. October 1972, No 10.


unprecedented action in the social field resulting in the adoption of many measures, which had a profound and positive impact on the lives of Community citizens.’ These measures were based on the principles of the Treaty of Rome but extended to incorporate the points highlighted in the Paris communiqué. She continues, ‘More importantly, it indicated a political commitment on the part of the Community to an employment and social policy.’

In spite of the economic and political difficulties of the 1970s, which delayed the Community’s parallel plans for EMU, regional development and political union, certain important aspects of the SAP did actually progress into Community legislation. This legislation was facilitated by the growing interaction between the ETUC, UNICE and the Commission. Among these were two directives, in 1975 and 1976, concerning equal pay and equal employment opportunities for men and women, two issues featured in ETUC’s 1973 list of demands. These directives were issued within months of an ECJ ruling that article 119 of the Treaty required equal pay for equal work done by men and women. While the Commission and ETUC clearly played no role in the ECJ’s deliberations, this example demonstrates the often complementary roles of the ETUC, Commission and ECJ in the elaboration of social policy.

104 P. Watson, cited, p. 51.
106 In its ruling on Defrenne v Sabena (43/75) [1976] ECR 455, the ECJ states, “The principle that men and women should receive equal pay, which is laid down by article 119, is one of the foundations of the Community.” In the same vein, within its “Statement of the ETUC on International Women’s Year”, Supplement to Report on Activities, 1973-75, the ETUC supported “The elimination of all wage discrimination and the establishment of real and strict equality of wages and working conditions.” p. 2. Source: IISH.
In the context of the growing interaction between ETUC, UNICE and the Commission, two further directives require a special mention. First, in 1975, under Directive 75/129/EEC, the Council legislated for the approximation of member state laws concerning collective redundancies. Based on the provisions of the SAP and article 117 of the Treaty, the directive states that ‘Where an employer is contemplating collective redundancies, he shall begin consultations with the workers’ representatives with a view to reaching an agreement.’

Second, in 1977, under Directive 77/187/EEC, employee rights were safeguarded in the event of a transfer of undertakings or business to another location. ‘The transfer of an undertaking….shall not in itself constitute grounds for dismissal by the transferor or the transferee.’ In particular, under article 6 of the Directive, the transferor and the transferee must consult with the representatives of the transferee. While both of these directives reflected key demands of the trade union movement and indicated that the Community was finally taking steps towards the implementation of social laws that protected workers from the more damaging consequences of free markets, the legislation also featured restrictions that favored employers. Despite this apparent advance in job protection, under Directive 177/187/EEC, employers had no obligation to avoid ‘dismissals that may take place for economic, technical or organizational reasons.’

**Funding**

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Throughout the history of trade union and EC relations, the issue of Community funding has proven a delicate topic for all sides. For many years, the Commission funded many interest groups, from all areas, in their efforts to learn languages, understand the EC system and organize cross-party conferences. In helping to build transnational networks and an active pool of expertise, the Commission was investing in its own political agenda and profile. According to Justin Greenwood, ‘There can be little denying that neither the Commission nor the Parliament is a disinterested disburser of funding to NGOs.’ Treib and Falkner state that, ‘From its foundation in 1973, the ETUC’s infrastructure has been heavily supported by financial contributions from the European Commission.’

In its 1973-75 statement of accounts, the ETUC confirms that the direct funding received from the EC between 1973 and 1975 increased from BF 477,358 to BF 4,105,821. While the direct funding of a lobby group by the very body it is supposed to lobby may seem unusual, and made some ETUC delegates uncomfortable, especially the TUC, neither the Commission nor the ETUC attempted to hide the funding source of certain projects, nor the obvious purpose of their creation. Perhaps the best example of this type of cooperation is the European Trade Union Institute (ETUI).

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112 According to Dianne Hayter, “The Commission provided the ECTU with money for meetings and interpretation. We found this a little bit funny. From the British point of view we were not used to having this.” Interview with author, 15 February, 2011.
113 “The idea of a trade union institute originated in the Community itself…the aim was to help the unions to become as well informed as the employers, the other side of industry and to help the European trade union organizations to create training services in European questions.” Quoted in “The ETUC might shortly
Created in 1978, the ETUI serves the research needs of the ETUC and was a direct result of the Commission’s desire, as explained in the 1974 SAP, to bridge the knowledge gap between the trade union movement and employer organizations, with a view to involving the social partners in more Community economic and social decisions. Starting with an annual subsidy of 350,000 ECA, the amount had risen to 985,000 ECU by 1984. The Commission funded 55% of the institute’s entire budget for the first year and has continued to fund it to the present day.

Ironically, the employer organizations were spurred by this move to request similar funding for their training programs. In their letter, the Employers’ Liaison Committee, stated, ‘Given the creation of the ETUI, and in the desire for equilibrium in the Community’s involvement with employers and labour, the professional organizations propose that they too receive supplementary training’. In response, the Commission did indeed allocate funding for employer training in the 1979 budget. Such a response demonstrated the Commission’s desire to appear fair but also to continue building a closer relationship with both social partners. For several years, the Commission had

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114 “The Commission had the space to fund a great deal of the ETUC’s internal educational activities under various treaty provisions. It had earlier been quite generous to the ETUI.” George Ross & Andrew Martin, “Nourishing the European Interest Groups”, ECSA Conference, Charleston, SC, 11 May 1995, p. 9.
115 “The Commission has adopted a draft convention regulating cooperation between the Commission and the ETUI”, Europe, No. 2376, January 1978. AEI.
116 “Commission answer to written question no. 1010/84”, from MEP Chouraqui, 30 November 1984. Also, according to the ETUC’s “Report on Activities: 1973-75”, presented at the Second statutory congress, London, 22-24 April, 1976, “With regard to the financing of a European Trade Union Institute, the European Commission has declared its readiness to propose to the council of Ministers an important allocation of funds for its creation and operation.” p. 78. Source: IISH.
117 “[The Commission]...has introduced a new item in the preliminary draft budget for 1979, entitled ‘aid to employers’ and workers’ organizations for the provision of training and information for their representatives on the subject of European affairs.” Commission answer to written question no. 508/77, from MEP Howell, Brussels, 21 September 1978. AEI.
already demonstrated the growing, if informal, involvement of the social partners in Community policy-making by holding periodic social dialogue meetings with the ETUC and UNICE.\textsuperscript{118}

\textbf{1970s}

Following the formation of the ETUC in 1973 and the publication of the Commission’s SAP in the following year, support was building on all sides for a genuine social dialogue at a European level to develop a mutually agreed social policy roadmap. Such a development signified that the Community had matured to a point where it was attempting to move beyond the basic social provisions of the Treaty, which were ill-designed to cope with the challenges of a global market. In a sense, the move towards European social dialogue among the Commission, labor and employers, recognized the unforeseen social implications of an increasingly integrated market and sought to define possible solutions to pressing issues such as unemployment, the migration of jobs within the EC and consultation of employees directly impacted by rapidly changing market conditions.

While a genuine ‘social Europe’, entailing an advanced Community-wide social program to balance the rapidly integrating industrial sector was clearly not in place during the 1970s, there were several clear signs of the foundation that would facilitate the social partnership that emerged from the Maastricht Treaty over a decade later. Critical social players had adapted their internal and European structures to prepare the groundwork for changes on a European scale. Under Commission guidance, these union and employer organizations were informally cooperating and negotiating ‘soft’

\textsuperscript{118} “Vice-president Haferkamp discusses economic situation with employers and unions.” \textit{European Communities Trade Union Information}, No. 6, 1975 (Information DG, trade union division) p. 2. AEI.
agreements and decisions that while having little legally coercive power at the time, would eventually contribute to the elevation of a common social policy under the TEU.

Clearly, in the mid 1970s, the goal of harmoniously restructuring the social policies of nine modern states in the midst of a serious recession was bound to be ambitious in the short-term. However, the fact that the Commission was actively seeking the input of industry lobby groups demonstrated its desire to broaden the debate beyond Community institutions and national governments towards direct representatives of essential economic constituents. Whether by accident or design, and maybe not so apparent at the time, a line had been crossed and the momentum was moving forward.

The initial relationship between UNICE and ETUC proved difficult. Their encounters demonstrated their mistrust and divergent priorities concerning social policy and their willingness to court media opinion. ETUC was constrained by its cumbersome structure, limited mandate and diversity of opinion but generally preferred Community legislation to regulate the labor market. From the early 1980s, within a global environment broadly favoring economic deregulation and social flexibility, trade unions were on the back foot and welcomed the legislative options proposed by the Commission.

While UNICE also suffered from its limited mandate, it was under strict instructions from its members to drag out negotiations, avoid legislation in favor of

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119 Both sides used the media to highlight its mission and to associate failure with its counterpart. After one cancelled meeting in June, 1973, UNICE released a press statement regretting the cancellation due to “the attitude of the ETUC and the European Organization of the WCL towards union representation.” “Social Policy”, UNICE press release, 29 June 1973. AEI.
voluntary, non-binding agreements.\textsuperscript{120} As a result, the pace and effectiveness of the social partnership at European level consisted of reticent management with time on their side\textsuperscript{121} facing motivated but underpowered trade unions. The power to change this dynamic lay with the Commission, who could push management by the threat of legislation and empower unions with unprecedented access to this very legislative process. However, this innovative approach was not adopted until the mid-1980s.

Beginning in June 1976, a series of tripartite conferences was held between the Commission, the ETUC and UNICE to discuss solutions to the economic and social problems of the EC. According to the ETUC, the main points of accord emerging from the 1977 meeting were: by 1980, the achievement of full employment, an average annual growth rate of 5\% and a reduction in inflation to 5\%.\textsuperscript{122} Clearly, optimism was in greater supply than a grasp of economic prospects within ETUC at this time. Despite the achievement of occasionally gathering the social partners around a table, tangible results from these meetings were rare and both parties often expressed disappointment with the contribution of the other.

‘The (ETUC) Executive Committee were also deeply critical of the generally negative attitudes adopted in the conference by representatives of employers’ organizations. Once more, it was demonstrated that many employers were not willing to accept the social responsibilities that go with their economic power.'\textsuperscript{123}

\begin{itemize}
  \item \textsuperscript{120} “[UNICE’s] declared central objective was to avoid European-level regulation and bargaining.” George Ross & Andrew Martin, “Nourishing the European Interest Groups”, p. 8.
  \item \textsuperscript{121} According to Ross, “This kind of organizational constraint was not a particular problem for UNICE because its declared central objective was to avoid European level regulation and bargaining.” Ross & Martin, p. 8.
  \item \textsuperscript{122} “Tripartite conference on growth, stability and jobs”, ETUC statement, Luxembourg, 27 June 1977. AEI.
  \item \textsuperscript{123} “ETUC statement to the press on the results of the 1978 tripartite conference”, ETUC, GS CP/19, Brussels, 9 November, 1978. AEI.
\end{itemize}
In particular, the ETUC was disappointed at the failure of their proposals on the reduction of working hours and on the involvement of employee representatives in multinational company decisions. These proposals were among the thirteen items adopted within the ETUC’s Action Programme at its third statutory congress in 1979, when it set out its stall for future discussions with the Commission and UNICE. Some of the other items in the program included an official goal of full employment, the improvement of working conditions, CAP reform and the extension of trade union influence within the EC.\textsuperscript{124} Throughout this period, UNICE also shared their opinions with the Commission on the future direction of many Community policies. In their view, the EC needed to safeguard the competitiveness of European firms, facilitate business ability to meet the challenges of the new global marketplace and adopt a broad Community strategy to solve CAP reform and general EC financing.\textsuperscript{125} Ironically, between them, they proposed some of the bones of the eventual single market project but before 1983, CAP reform, financing reform and market liberalization failed to gain significant political traction.

\textbf{Winds of Change}

By 1983, the EC in general was in dire need of reform. Following a decade of economic stagnation and institutional inertia, it was competing within a world that had moved towards deregulation and was in danger of leaving the Community and its member states behind. Moreover, since 1973, four new countries had joined and several


\textsuperscript{125} “Stuttgart Mandate: European Industry indicates achievements and reforms which should emerge from Athens summit”, \textit{Europe}, No. 3725, 7/8 November, 1983, p. 14. AEI.
more had applied to join.\textsuperscript{126} Within a community of a dozen or more, the institutions designed for six member states could no longer suffice. With the help of a general global economic upturn, a solution to the British rebate issue and the return of a general political desire to find a common solution to common problems, the mid-1980s witnessed a flood of economic and political reforms that re-launched hope in the Community project. In this new departure, social policy played a prominent role and helped define an essential pillar of the Community’s new identity. Following years of frustration and slow progress, the ETUC and UNICE were set to play a key role within this unique, European political experiment, within the social partnership structures designed by the Commission.

From the early 1980s, the push towards the completion of the single market within the EC gathered momentum. While some initiatives were premeditated, such as the European Parliament’s Draft Treaty on European Union in 1984 and the Council-mandated Dooge Report on institutional reform in 1985, other events were more serendipitous. These included the ECJ \textit{Cassis de Dijon}\textsuperscript{127} decision in 1979 which ruled against non-tariff barriers between member states, the French government u-turn on autarkic macroeconomic policy in 1982 and the British rebate breakthrough at Fontainebleau in 1984. Even though these different currents were challenging the status quo from different angles, the channel to blend them in a coordinated direction was still absent.

\textsuperscript{126} In 1973, Denmark, Ireland and Great Britain joined the Six. In 1981, they were joined by Greece, while Spain and Portugal waited in the wings to join by 1985.

\textsuperscript{127} Case 120/78, \textit{Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein}, ECR 1979, p. 649.
European Round Table of Industrialists

In April 1983, due to the paralysis of the European institutions and the inability of the EC to react to the threats of globalization, leaders of an elite group of multinational companies decided to form a new interest group, the European Round Table of Industrialists (ERT), that directly represented the concerns of corporate Europe and was powerful enough from day one to gain access to the leaders of the EC.\textsuperscript{128} Primarily, they were concerned that the promises of a single market outlined in the Treaty of Rome still remained unfulfilled within Europe while the United States and Japan forged ahead. Some of their main proposals included integrated transport infrastructure, higher quality education and training, trade liberalization and flexible labor market, which became pillars of the new single market.

As frustration mounted about the state of the European economy before 1985, the ERT played an increasing role in national capitals and in Brussels. According to Middlemas, ‘private associations, like ERT, were encouraged by governments and the Commission to behave as privileged actors’ which clearly added a new and very influential pro-market voice to the flood of proposals designed to reboot the EC. The organization possessed several key advantages. First, it represented very powerful multinational firms without the red tape constraints of UNICE. Secondly, as leaders of telecoms, transport infrastructures and R&D, among others, these firms would be

\textsuperscript{128} Initially ERT consisted of 17 leaders from firms such as Fiat, Volvo and Philips. According to ERT, they were reacting to a challenge from Commissioner Davignon when he asked ‘whom do I call when I want to speak to European industry?’ Source; “Origins” in ERT website, \url{http://www.ert.eu/about#Origins}. (7 June 2013).
essential to promote a re-launch of the single market. Third, its members developed close working relationships with EC leaders including Davignon and Delors.\textsuperscript{129}

In one sense, the purpose of the relationship that the Commission fostered with ERT was not different from the one it had with most other interest groups. According to Cowles, ‘Commission officials encouraged the firms’ participation in the EU policy making process and, in turn, European big business served as a constituency for the Commission vis-à-vis the member states.’\textsuperscript{130} Industry Commissioner Etienne Davignon was particularly instrumental in the early development of EC-big business relations. As early as the 1970s, when multinationals as well as national governments recognized the limitations of national solutions to global problems, Davignon collaborated with IT companies in the creation of ESPRIT, the first European R&D initiative.\textsuperscript{131}

\textbf{The Delors Commission}

When Jacques Delors took office as Commission President in 1985, one of his first priorities was to merge the multiple but uncoordinated voices for change into a single, broadly acceptable project that would reinvigorate the EC and generate enthusiasm within the political elite and the public alike. The idea chosen had to have a strong foundation in the Treaty and offer the prospect of broad economic benefit. After a bout of shuttle diplomacy through member state capitals, Delors decided that the completion of the single market was the path of least resistance.

\textsuperscript{131} The European Strategic Programme for Research and Development in Information Technology (ESPRIT).
Within months of taking office, the Commission published its White Paper on the completion of the Single Market, which featured 282 specific directives to be implemented by 1992. Mostly, the directives focused on eliminating non-tariff barriers to competition within the EC, a move that benefited from broad political support and strong legal foundations. The following year, the Single European Act (SEA), which provided the legal authority for the required directives to be implemented, was negotiated and signed by member states.

Most importantly, the SEA broadened the number of policy areas no longer subject to Council unanimity, instead subject to qualified majority voting (QMV). This accelerated the institutional process that had been a source of paralysis for decades. Suddenly, momentum seemed to have shifted in favor of transnational solutions to transnational problems and the social area was no exception. Unusually, the Commission, the Council, led by the Franco-German axis, key interest groups and even the public seemed to be singing from the same hymn sheet: speed was of the essence before this rare window of opportunity closed.

As the extent and characteristics of the single market and its economic liberalism became apparent after 1985, trade unions in particular became concerned about the consequences for labor. Within a deregulated European market, employee rights clearly needed to be addressed to prevent the risk of social dumping. In response, Delors spoke openly about the need for a ‘social Europe’ to balance a more liberal and integrated single market. As a French Socialist, he was respected by most of the trade unions but still emphasized enough of the free market virtues to attract the business community.
‘The creation of a vast economic area, based on the market and business cooperation, is inconceivable—I would say unattainable—without some harmonization of social legislation. Our ultimate aim must be the creation of a European social area.’

Anticipating the concerns of labor, in 1985, the Delors Commission launched a social dialogue among three social partners: ETUC, UNICE and the European Centre of Employers and Enterprises providing Public Services (CEEP). Called the ‘Val Duchesse’ process, after the location of the first meeting, it developed into a series of summits where the Commission actively encouraged the social partners to contribute to its social legislation proposals. Given Delors’ history in French trade unionism and his corporatist approach to conflict resolution in general, Val Duchesse represented a projection of his personal preference for social partnerships on a European stage. Within his broader plan of the single market too, a successful social partnership structure would offer a solid platform as well as a welcome boost to Commission legitimacy as a proven problem solver.

The timing of this initiative was not coincidental for two reasons. First, the prospect of enlarged EC powers in the social field, through the QMV changes in the SEA, convinced the social partners to take their European channels of influence more seriously. UNICE in particular had reason to fear legislation and the Commission deliberately waved this stick to encourage management to take the alternative of

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133 Founded in 1961, CEEP’s mission was to ‘unite the national public enterprises’ federations to foster solidarity between them; act as a spokesperson to the European institutions.’ Official CEEP website, http://www.ceep.eu/index.php?option=com_content&view=article&id=47&Itemid=80.

134 Article 118a of the SEA opened issues related to health and safety to QMV, “because health and safety regulations might be used as non-tariff barriers to competition.” Ross & Martin, p. 4.
negotiations with unions more seriously.\textsuperscript{135} Second, since trade unions and employers organizations were becoming less confrontational in general on the national level during the 1980s, European-level cooperation was becoming more realistic.\textsuperscript{136}

Under article 118b of the SEA, a direct result of the Commission’s consultation with the social partners, member states stated that they wanted ‘to develop dialogue between management and labour at European level which could, if the two sides consider it desirable, lead to relations based on agreement’. In effect, the social partners were given an official platform on which to build a new relationship with the Commission. While UNICE and ETUC had been negotiating unofficially since 1973, this Treaty provision offered official recognition for the two groups, enshrining them within the EC system, an unprecedented status for any interest group of the time.

In the end, the Val Duchesse process only produced a small number of minor agreements among the social partners involved. However, given the divergence of opinion and national cultures at the table, a breakthrough agreement was always unlikely. Instead, its significance lies more in the fact that its processes required a frequent and face-to-face exchange of views among opposing sides of European industry and that the Commission openly involved these social partners in the formulation of Community social legislation. Clearly, this structure confirmed the increased cooperation among the parties involved that had been building for over a decade and reinforced the base from which the next step would be launched.\textsuperscript{137}

\textsuperscript{135} “Something more dangerous [than bargaining] to employers had to be present which would make them choose bargaining as a course that would be less harmful..” Ross & Martin, p. 10.

\textsuperscript{136} Renate Hornung-Draus, “UNICE”, in Lecher & Platzer, cited, p. 197.

\textsuperscript{137} According to Ross and Martin, “[ETUC’s] role clearly grew after the SEA, particularly in the campaign for a social dimension, around the Social Charter and subsequent Action Program legislation.” p. 16.
While the Val Duchesse social dialogue effort was progressing, the Council, in 1988, invited the Commission to define future social policy initiatives. After consulting with the social partners, the Commission drafted the Community Charter on the Fundamental Rights of Workers. During this process, President Delors was invited to speak at the ETUC Congress in Stockholm in 1988. According to David Lea, Vice-president of the ETUC, this event encouraged him to invite Delors to address the British TUC congress in Brighton later the same year, a clear signal to Thatcher that the TUC was willing to use Europe to challenge her. In perhaps somewhat unflattering terms, Lea described his motivation for the invitation as, ‘We thought we may as well let the dog see the rabbit.’

Delors’ appearance was significant because it helped convince the Labour Party and the TUC to accept his EC vision, based on the Social Charter, and created a huge media event when the Congress audience spontaneously burst into chorus of ‘Frère Jacques’.

Consisting of twelve basic rights, the Social Charter was endorsed by all but one of the European Council members in December 1989. Great Britain did not offer its approval. Although not legally binding on the member states, the Charter merely served as a solemn declaration of eleven governments, many of its objectives were long-held Commission social objectives and, thanks to the new provisions of the SEA, had the potential of being implemented into law. According to Addison & Siebert:

‘…the Social Charter taken as a whole resurrects much of the Commission’s past agenda and stalled directives. It is, then, less of a new departure than a reflection of the Commission’s long-held commitment to social justice.’

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138 Interview with author, 15 February, 2011.
In the end, the Social Charter fell victim to the lack of legal powers available to the Commission. However, a new opportunity soon emerged to advance the legitimacy of European social dialogue. By 1990, preparations were under way for the greatest overhaul of the Treaty of Rome since its inception. Following on from its relative success with the Social Charter, the Commission lobbied for the imminent TEU to include an extension of QMV in the Council for the fields covered in the Charter and beyond.\footnote{Under the Protocol on Social Policy agreed as part of the Maastricht Treaty in 1992, QMV under the SEM procedure was extended to cover, as well as health and safety, measures on working conditions, the information and consultation of workers, sex equality in the labor market and job opportunities.” Wolfgang Lecher, cited, p. 245.} Again, the British refused but the other eleven member states agreed to sign a binding social protocol to the Treaty, which confirmed much of the Social Charter but with the added benefit of enforceable legality on the member states. According to Dinan, this marked the ‘institutionalization of differentiated integration.’\footnote{Desmond Dinan, \textit{Europe Recast: A History of the European Union}, p. 258.}

The content of the Social Protocol to the TEU explains the new parameters of the European social dialogue process:

3.4. On the occasion of such consultation, management and labour may inform the Commission of their wish to initiate the process provided for in Article 4. The duration of the procedure shall not exceed nine months, unless the management and labour concerned and the Commission decide jointly to extend it.

4.1. Should management and labour so desire, the dialogue between them at Community level may lead to contractual relations, including agreements.\footnote{“Agreement on Social Policy”, Protocol to Treaty on European Union, Article 3.4 & 4.1. \url{http://europa.eu/eur-lex/en/treaties/dat/EU_treaty.html} (14 April 2013).}

Under the Social Protocol, the ETUC, UNICE and CEEP enjoy significant roles in two ways. First, by institutionalizing the informal pattern of the Val Duchesse process, the Commission is obliged to consult them on two separate occasions when proposing
social legislation to the Council: formulating the initial policy direction and determining the eventual content. Combined with the broader application of QMV in social legislation votes within the Council, this article offers the social partners greater power to influence final legislation. Moreover, under the innovative Article 4.1, the social partners are entitled to take full control of legislation discussion, excluding the Commission for up to nine months, before making a proposal that is then submitted to the Commission.

**Conclusion**

‘From a hitherto largely consultative role, they moved centre stage to share legislative competence with the Community institutions. The Agreement on Social Policy thus created an alternative legislative process unique to social policy.’143

The pattern of economic and political integration within the EEC since 1958 has been characterized by slow overall convergence occasionally marked with short periods of more intensive reform. Initially, the EEC focused on defining and implementing the CAP, the Common Market for industrial goods and the Customs Union. With such a complex agenda, issues such as social policy took second place. In any case, it was felt that, within a Community focused on economic development, the elaboration of extensive social policies was not required within the Treaty of Rome, at least in the short-term.

Until the late 1960s, the low level of activity among social policy interest groups and trade unions at Community level reflected this trend. While the power centers remained in national capitals, there was no reason to lobby Brussels. However, once the Customs Union was completed in the late 1960s, several arcs of development, both

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143 Watson, cited, p. 57.
intentional and unintentional, intersected to push social policy awareness to the front row. Clearly, the limitation of the ‘trickle down’ effect of economic development was exposed by the challenge of globalization and the social unrest in the late 1960s: a broader solution to an international crisis had to be explored beyond the competence of the nation state.

Second, the ECJ had consistently interpreted the Treaty in favor of an expanded legal foundation for a common social policy while the Commission tried to push the boundaries in the same direction by pursuing its Treaty mandate. Third, while capital had moved with the times, crossing borders and exploiting economies of scale, labor interests had remained stubbornly attached to national arenas. The birth of the ETUC in 1973 reflected the first tentative attempt for organized labor to meet this challenge head on by organizing on a European scale.

Despite its organizational weaknesses and internal ideological stresses, the ETUC benefited from a unique advantage, coveted by any lobby group: it held a virtual monopoly of trade union representation to the EC institutions and the Commission in particular was willing to support it and strengthen its role as a social partner. Once it finally established itself as a reliable counterweight, in the Commission’s eye, to UNICE, the building blocks of a social partnership at European level slowly took shape.

The process of building a functional social partnership took a long time and often seemed ineffective. Still, with much encouragement from the Commission, ETUC was finally recognized by the SEA as an integral part of the Community’s social policy process. The subsequent involvement of the social partners in the Social Charter and the TEU Social Protocol redefined the function of conventional lobby groups within an
international organization. Though the material results of this involvement proved somewhat disappointing after 1992, the institutional innovation remains nonetheless a significant achievement and offers a potential framework for future expansion.144

By becoming institutionalized actors in the Community’s social policy after 1992, ETUC, UNICE and later, CEEP, broke new political ground. Concerning the ETUC in particular, this achievement has brought mixed blessings. Clearly, its intimate role within the EU’s social partnership offers unique and privileged opportunities to shape the future professional experience of European workers. However, it has paid a price by sacrificing elements of its legitimacy and having to simultaneously satisfy dozens of different national confederations. As its long-time mentor and main access point to the EC, the Commission has skillfully used the lobbying power and legitimacy of the ETUC among an important sector of the European population to further its own agenda and to leverage negotiation positions with the member state governments within the Council

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Conclusion

In December 1969, when the national leaders of the EEC member states met in The Hague to discuss the future of their fledgling international organization, the general population of the Community could have been forgiven for paying little attention to the event. Since its foundation in 1958, the EEC had operated within limited policy fields and was perceived as playing quite a minor role in the everyday life of its population. Understandably, the main point of political reference for most citizens at this time was, as it had been for generations, their respective state. Moreover, the continued threat of global nuclear annihilation or the uncertain consequences of the social explosion of May 1968 attracted more urgent attention at the decade drew to a close.

By the late 1960s, the EEC was generally regarded as a loose organization of sovereign states cooperating in specific areas of shared interest: principally in matters of high-level industrial trade and agriculture, spending most of its time and budget on deciding the price of beef, milk and grain. In sum, a regional agricultural and industrial talk shop that discussed issues unrelated to the daily concerns of Europeans understandably provoked little public or general media excitement.

However, if one fast forwards just a single generation, to 1992, the EEC’s status was radically different as the limited EEC of the 1960s had been transformed into the largest industrial market in the world and the most powerful global trade partner. By any measure, the degree of economic and political integration completed before 1992 among the member states of the EEC represented a unique achievement in modern international relations. Having delivered the initial hope of fostering peace and stability on the
continent, the Community developed into a global economic superpower with substantial intergovernmental cooperation and supranational pooling of sovereignty, far beyond anything evident in any other international organization of sovereign states. However, trade and economics represented just part of the story. The most radical characteristics of the new European Union (EU) were found in the dramatic expansion of its policy reach into many new and unexpected spheres of interest previously the exclusive domain of national states.

The most basic change that occurred by 1992 touched the very identity of the organization and its people. By this time, the identifier ‘EEC’ had been dropped in favor of the more ambitious ‘European Union’ and the population of its now fifteen member states officially shared European citizenship. This fundamental civic identifier was clearly visible on their passports, printed above the name of their respective states. To complete the trappings of a unified entity, the EU even adopted an official anthem and flag.¹

In practical terms, the EU had expanded its profile by developing a leading legislative role in market liberalization, workplace health and safety, equal pay, social dialogue, environmental policy, immigration policy, regional policy, consumer protection, cross-border law-enforcement, anti-terrorism, civil law, research and development, higher education and foreign policy. The modern EU had truly become, ‘an international actor well beyond its traditional commercial powers.’² If the average member state citizen in the 1960s could be forgiven for failing to perceive the role of the

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¹ Beethoven’s Ninth Symphony was the chosen anthem and the flag consisted of a bright blue background featuring twelve gold stars arranged in a circle. The number of stars was designed to remain at twelve, regardless of the number of new accessions.
² George Ross, The European Union and its Crises, p. 4.
EEC in his life, his children clearly could not be afforded the same luxury two decades later.

The fundamental questions that arise from this dramatic transformation and the ones that I address in these chapters are, ‘how did this fundamental transformation occur in such a short period?’ and ‘what were the main vectors of change?’ Understandably, the focus of the specialized media and scholars has trained on the flood of economic and political integration that occurred during the late 1980s, between the Fontainebleau summit of 1984 and the Treaty of European Union (TEU) in 1992. While this is a key period in the definition of the EU, it ignores the longer-term, and equally important, roots of the organization. In contrast, my focus prioritises these often-overlooked drivers of change. I argue that these historical drivers include both obvious and subtler factors.

First, the growing influence of economic and political globalization from the 1950s constituted a powerful external pressure towards collaboration within the EEC. This pressure forced member states to make radical moves towards pooled sovereignty and the liberalization of trade within a broader regional ‘safe-haven’ customs union. In this regard, the parallel emergence of the GATT and the EEC in the 1950s is no coincidence. The world was changing and Europe could not afford to stand still. In parallel, the EEC offered a valuable lifeline to the diverse forms of welfare state structures that had developed within the member states since the War and were proving expensive to maintain. In the face of globalization, single member states could not hope to sustain the burden of the increased welfare costs resulting from the decline of inefficient industries. However, within a regional customs union, member states benefited from an external tariff wall and internal transfers that allowed them to adapt to the new
market in way that retained the political and social legitimacy of the state. This line of argument is particularly evident in Alan S. Milward’s seminal scholarship of the 1980s.

Second, the centrality of West Germany in the EEC project from the beginning means that the story of the EEC and the Cold War cannot be seen in separation. Once the ECSC had firmly integrated West Germany into the Western European family of states after 1952, the EEC played a critical role, along with NATO, in cementing the post-War status quo of an ideologically divided continent. The Community’s foundation on liberal democracy and on a non-radical form of welfare capitalism offered a welcome political comfort to the United States in the face of the Soviet threat. Despite persistent American complaints about EEC trade protectionism, they were willing to accept this price for the greater dividend of Atlantic collaboration and stability.

Third, the novel institutional structure of the EEC provided a political ‘x factor’ that was unique to the Community and contributed to greater integration even during periods of general economic and political stagnation among member states. In this regard, the institutions of the Commission and European Court of Justice (ECJ) played a key role. Based on the Treaty’s provisions, the Commission occupied a multifaceted position of legislator, think tank, watchdog, lobbyist and general agent of ‘ever closer union’ with the advantage of no democratic accountability. While its record of effectiveness since 1958 has been mixed, its importance results from a crucial Treaty mandate and its continuous quest for ‘ever greater legitimacy’ within the Community. Throughout the history of the EEC, even when the initiative was clearly taken by member states, explicitly excluding the Commission, the latter consistently voiced its opinions and eventually found a way to contribute based on one of its many official functions.
As the ultimate legal authority within the EEC, the ECJ has often been forced to break important deadlocks in the absence of political agreement. Moreover, many of its rulings, though deliberated on the merits of specific cases, have emerged to play an unintended role on broader integration questions. Unlike political agreements, ECJ rulings are usually irreversible and directly applicable to member state governments and citizens, initiating or confirming clear changes in legal interpretations that prove impossible to roll back. Since 1958, the Court’s rulings have tended to favour an increase in cross-border integration and mutual recognition of industrial and professional standards, and a narrow interpretation of legal restrictions. The overall consequence of this approach has been the removal of many direct and indirect national barriers that hindered the promotion of the four Treaty freedoms of movement of goods, people, services and capital.

Based on this approach, some of the most remarkable advances in economic and political integration, which have dramatically impacted huge sections of the population, have found their origin and legal legitimacy in ECJ rulings. These include the direct applicability of EEC law on private citizens and companies as well as the removal of non-tariff barriers to trade, both key prerequisites for the introduction of the Single Market in 1992. According to Commission President Delors, ‘For now, let us remember that law has been the key factor in the transition from the traditional concert of nations to a union of nations.’

The final vector of change is more subtle but could be termed the ‘window of opportunity’ phenomenon that has occasionally occurred within the EEC when the goals

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of member states within the Council and the other institutions coincide so closely that significant and long-lasting advances in integration are instigated within a short period of time. Although this is a rare occurrence, my dissertation focuses on two of these periods: the immediate post-de Gaulle era of 1969-72 and the post-Fontainebleau period of 1984-1992. Although both periods were relatively short and were followed by internal or external crises that soon closed the window of opportunity, their significance lies in their long-term impact and their redefinition of the reach and fundamental identity of the EEC.

In this regard, 1969 provides a key starting point for my story, when the EEC leaders stood at a critical crossroads of time and opportunity. Over the previous decade, the combination of pressure from growing globalization, international monetary instability, Cold War challenges to European independence, Commission ambition and a maturing ECJ case law meant that political leaders assembled at the Hague faced extreme pressure to do something that is unfamiliar to the instincts of most prudent politicians: enact real and significant change across a wide range of policy spheres. This pressure was made all the more urgent by the strong likelihood of several new states, Great Britain, Ireland and Denmark, joining in the short-term.

During the lead up to the summit, the chances of real change occurring were boosted by the participation of new leaders from France and Germany determined to define their political legacy in a more constructive light. This represented a genuine window of opportunity encouraged by all Community institutions. Due to this confluence of favourable internal and external circumstances, the decisions taken at The Hague summit proved central to the redefinition of the EEC in the short-term and, more importantly for our purposes, the foundation of the EU in the longer-term.
To fully grasp the impact of this window of opportunity, one has to understand the tensions that dominated the early stages of the European integration story. In a sense, the unique hybrid model of governance that became the EEC resembles a genetically modified offspring designed to rescue the spectacularly failed marriage between the traditional Westphalian model of European political organization and the disturbing European penchant for aggressive nationalistic behavior. The self-inflicted decimation of European society in the first half of the twentieth century made business as usual among nation states an unlikely option after 1945. However, if Western Europe was ever to regain its independence within the new Cold War world, it had to define a workable solution among its states that ensured peace, prosperity and the reintegration of West Germany into the continent. The final part of this trilogy was of vital importance in the context of the Cold War and constant American pressure to unite.

In an effort to solve the German question, the 1950 Schumann Plan of limited pooled sovereignty among member states over the European coal and steel industry, the heart of the industrial revolution, provided a novel answer that effectively represented the best idea available at the time. According to French historian, René Rémond, the Plan represented ‘an initiative of exceptional audacity for which I can find no precedent.’ Following the ECSC’s relative success, the expansion of this formula into wider industrial and agricultural areas soon formed the foundation of the EEC in 1958. Thanks to the relatively vague text of the EEC’s founding treaty, the Treaty of Rome, the new organization was acceptable to both those seeking a purely international form of cooperation, mostly member state governments, as well as those of a more federalist

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persuasion, found usually within the Commission and the Assembly. Between 1958 and 1969, these ideological opponents engaged in a persistent and sometimes tense battle over the fundamental direction of the Community.

The defining moment of this period is widely accepted to be the empty chair crisis of 1965-66, when the French president de Gaulle refused to send a French delegation to any EEC meetings in protest at the Commission’s repetitive supranational initiatives and Treaty-mandated plans to introduce qualified majority voting (QMV) into certain Council decisions, which would overrule Member States within the objecting minority. When the French returned in early 1966, following a non-binding ‘gentleman’s agreement’ to protect member state’s vital interests, the balance of power visibly shifted away from the supranational vision of the Commission towards more control from national capitals as the EEC focused on completing limited projects specifically mandated in the Treaty, such as the Common Agricultural Policy and the Customs Union. However, once these projects were completed in 1969, there was no longer any place to hide from the obvious question: where does the Community go next? This, in sum, was the challenge that faced delegates in The Hague.

In the event, the goals agreed at the summit were ambitious, ‘paving the way for a united Europe capable of assuming its responsibilities in the world of tomorrow.’\(^5\) They included the completion of the EEC market, European Monetary Union, the first enlargement of the EEC towards Great Britain, Ireland and Denmark, and political union. Over the following few years, each of these projects enjoyed rapid progress followed by an almost as rapid regression. With the notable exception of enlargement, they all

remained unfulfilled by 1973. The surge of activity proved brief due to the realities of recession and national disengagement that continued to undermine the Community’s goals during the 1970s. While the window of opportunity closed rapidly in the early 1970s, the progress made since 1969, in the form of reports, road maps and institutional preparation, remained in open view and would provide a valuable blueprint should any future window of opportunity emerge.

By 1984, it had become clear that the EEC again faced a critical crossroads. The factors pushing it towards radical reform were numerous. While it languished in economic stagnation, the United States and other global competitors had already re-emerged and were threatening to overtake the Community in terms of prosperity and innovation. To add insult to injury, a dysfunctional EEC risked losing ground to the Eastern Bloc, adding an ideological incentive for its recovery. Internally, institutional gridlock plagued the Community, as a system designed for six member states proved inadequate for an organization that would soon include twelve. From the European Parliament and the Commission, pressure mounted to take dramatic action. Finally, following the Fontainebleau summit of 1984, where a long-awaited deal was reached on budget contributions, member states finally appeared to take heed of the pressures for change and another rare window of opportunity emerged.

From 1985, the energies of the Commission, under Jacques Delors, and the leading member states, including France, Germany and Great Britain were combined to drive through radical changes that prioritized one of the main unfulfilled goals of 1969: the completion of a genuine Single Market in goods and services. Using this springboard to gain momentum, reform quickly spread to monetary union, social policy, regional
policy and political union. Between 1985 and 1992, when the Single Market was completed, the sheer speed of integration took many by surprise. It was difficult to believe that, a mere five years earlier, leading economic publications had written the epitaph for the Euroschlerosis-ridden Community. However, it was no coincidence that the main paths chosen after 1985 to drive the EEC forward were similar to the ones chosen in 1969. The fundamental groundwork and preparation had been completed between 1969 and 1972 before the initial window of opportunity closed. When the opportunity returned in the 1980s, the blueprints already existed. Given the fragility of windows of opportunity, the ready-made option proved the most attractive to achieve immediate impact. This approach proved extremely successful and was instrumental in the creation of the modern EU.

The development of the limited EEC into the expansive EU has involved extremely complex interactions among layers of governance and institutions of national, international, supranational and even non-governmental form. Given this complexity and the consistent increase in membership along the way, it is not surprising that periods of intense growth and integration have been separated by long periods of relative stagnation, even deadlock, as changes are absorbed. However, what is perhaps most striking about the entire project has been the overall movement in one direction, towards ‘ever closer union’. Though often aggressively negotiated and sometimes punctuated by diplomatic pouting and threats, the steps taken toward greater integration of European political and economic interests have proven incredibly difficult to roll back once in place.

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6 Delors claimed that during the period from 1987-89, ‘I have rarely known, within the Community, such a euphoric atmosphere.’ “Economic Governance”, p. 174.
This phenomenon results from several key factors. First, the EEC culture involves so much bargaining and linkages among different deals that to roll back one commitment risks a much larger failure that all parties have reason to avoid. So, while the British may resent bankrolling the expensive and inefficient CAP, they realize that this is the price to be paid for ensuring broad agreement on regional funding and the Single Market, two central issues for Great Britain. Second, once a new agreement, such as EMU or regional funding, has been incorporated into the Treaty, it becomes part of the *acquis communautaire*, the sacred scripture of the Community. Repealing this represents a monumental task. To avoid this challenge, Member States prefer to negotiate opt-outs in advance, such as Britain did for the Social Protocol and Ireland among others did for the Schengen Agreement.

Third, once the ECJ has made a ruling on the application of Community law, the Member States are obliged to abide by this law, whether they agree or not. This fact has placed the ECJ in an extremely important, and often overlooked, position of ‘policy path definer’, where room is allowed for some deviation in legal application of Community legislation, but clear boundaries are defined beyond which member states cannot venture. The best example of this is the Court’s 1979 *Cassis de Dijon* ruling on the illegality of national non-tariff barriers (NTBs) to the free movement of goods within the EEC. Effectively, the Court held that the legally binding commitment made by member states in signing the Treaty remained unfulfilled while they refused to mutually recognize the norms of imported goods from fellow Member States. NTBs represented a breech of the Treaty. While the timing of the necessary changes to comply with this ruling was up for negotiation, compliance was unavoidable: the Court had set the path and member states
had to follow. In 1985, this decision was essential in giving legal legitimacy to the Commission’s Single Market initiative that drove the EEC towards the 1992 deadline and the TEU. As President Delors recently stated, ‘I myself drew on this development [Cassis] for the Commission’s 1985-86 single market programme.’

As the examples of the Single Market, EMU, Political Union, Social Partnerships and Regional Funding have shown in my chapters, the momentum that results from a periodical window of opportunity is not always sufficient to enact real changes. Clearly, the political and economic storms of the 1970s rapidly ended the post-Hague advances. Too much work needed to be accomplished before political goodwill evaporated. However, when such a window coincides with pre-existing blueprints for specific policy areas, as occurred in the 1980s, the potential for significant movement becomes much greater. While 1985-92 certainly raised the pillars that support the modern EU, it was 1969 and its aftermath that provided the essential foundation on which these pillars stand.

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