4 FIRST STEPS (1944–58)

Preview

The roots of today's European Union date back centuries. War and conflict have long been part of the fabric of Europe, inspiring philosophers to develop numerous plans for bringing peace to the region, but finding their suggestions falling mainly on deaf ears. Two world wars delivered a shattering blow to European power and influence, changing the way Europeans saw themselves and the way they defined their security.

Europe embarked on peace in 1945 with most of its economies devastated, its political systems destabilized, its colonies agitating for independence, and its states distrustful of each other and divided by a new kind of Cold War between two external powers: the US and the Soviet Union. Europeans had tired of violence, and sought ways to make future conflict impossible, but while there was support for the idea of regional cooperation, governments and elites were divided over what this meant in practice and how to proceed.

A modest start was made with the creation in 1949 of the Council of Europe, followed in 1952 with the founding of the European Coal and Steel Community (ECSC). A more substantial step was taken in 1957 with the signature of the Treaty of Rome, creating the European Economic Community (EEC) with the goal of creating a western European market within which there would be free movement of people, money, goods and services. However, the EEC would see only mixed progress during the 1960s as its member states failed to exploit its possibilities.

Key points

- Europe had long sought means to cooperate in the face of conflict, but it took the traumas of two world wars to bring these ideas to a wider audience.
- Western Europe in 1945 had three critical needs: to rebuild war-ravaged economies, to ensure internal and external security, and to limit the dangers of nationalism.
- Economic reconstruction was given a boost by the US under the Marshall Plan, and security assurances were also provided by the US through the North Atlantic Treaty Organization (NATO).
- Alongside failed efforts to create a European Defence Community and a European Political Community (EPC), Europeans made some progress with the creation of the European Coal and Steel Community. Although a useful first step in the process of building European economic ties, only France, West Germany, Italy and the three Benelux countries joined.
- Economic cooperation was behind the signature in 1957 of the Treaties of Rome, creating the European Economic Community (EEC) and the European Atomic Energy Community.
- The goals of the EEC included a single market, a common external customs tariff, and common policies on agriculture, trade, transport and competition.

Europe before the Second World War

In 1922, an organization was founded in Vienna by the name of the Pan-European Union. Its leading light was Richard Nikolaus Eijiro, otherwise known as the Count of Coudenhove-Kalergi. Son of an Austro-Hungarian diplomat and his Japanese wife, he was born in Tokyo, was a citizen of Czechoslovakia, had family origins in Belgium and Greece, grew up in Bohemia (now part of the Czech Republic), and studied in Italy and Austria. Little wonder, then, that Coudenhove-Kalergi was once described as 'practically a Pan-European organization himself' (Chambers, 2017). He was deeply committed to the idea of a united Europe, warning in his book *Pan-Europa* (von Coudenhove-Kalergi, 1926) that Europe was 'a powder keg of international conflicts' whose problems would be 'resolved only by the union of the peoples of Europe', to which the greatest obstacle, in his view, was the rivalry between Germany and France.

His ideas were supported by French Prime Minister Édouard Herriot (in office 1924–25), who suggested the creation of a United States of Europe founded on the post-war cooperation being promoted by the new League of Nations. His colleague Aristide Briand followed up in 1930 by suggesting a European federation working within the League of Nations, using in his proposal such terms as *common market* and *European Union* (Briand, 1997). Coudenhove-Kalergi spent the Second World War in exile, mainly in the US, inspiring the character Victor Laszlo in the film *Casablanca*. He continued to promote his ideas of European unity after the war, and lived to see the creation of the European Economic Community. It was on the basis of suggestions from Coudenhove-Kalergi that the Council of Europe, and then the EEC, adopted Beethoven's 'Ode to Joy' as its anthem and celebrated Europe Day in May.

Although he inspired much of the early thinking about European political union, Coudenhove-Kalergi was far from the first to explore such ideas. In fact, the origins of the EU can be traced back to the long history of conflict that has afflicted one of the world's most heavily populated, politically competitive and culturally complex regions. The story of that conflict runs from the wars of antiquity through to the invasions of the Early Middle Ages, the Crusades, wider European conflicts such as the Hundred Years' War (1337–1453) or the Eighty Years' War (1568–1648), attempts to fend off foreign invaders such as the Arabs and the Ottoman Turks, civil wars, wars of independence, and the two world wars of the twentieth century. The causes of such conflicts have ranged from disputes over land and between competing dynastic houses to disputes sparked by religion and nationalism. Another combustible element was later added when European states began to build overseas empires, bringing a global dimension to competition for power within Europe.

Frustrated by what they saw, idealists explored ways in which Europeans might cooperate through regional associations. Suggestions ranged from assemblies of princes to courts that might adjudicate disputes, a European parliament, and a European federation (see Heater, 1992; Urwin, 1995; Salmon and Nicoll, 1997). The philosophical benchmark for the debate was laid down in 1795 when the German philosopher Immanuel Kant published his thoughts on the conditions needed for mankind to achieve a state of perpetual peace, including the abolition of standing armies and a federation of free states (Kant, [1795] 2009). Europe's achievements in maintaining peace since 1945 have sometimes earned the region the epithet *Kantian* (see Chapter 24).

Although Europe as a whole was mainly at peace between the end of the Napoleonic wars in 1815 and the outbreak of the Great War in 1914, nationalism created dangerous pressures. Governments asserted their authority as minorities struggled for independence, many seeking the creation of a state for every nation. This meant resistance to foreign rule in Belgium, Bulgaria, Greece, Hungary, Ireland, Italy, Poland and Romania, and efforts to unify Germany and Italy. It took only one small spark – the assassination in June 1914 of the heir to the Austro-Hungarian throne by a Slav nationalist – to set off a series of events that would lead within two months to the outbreak of the Great War.

The war resolved little, and did so at staggering cost: an estimated 15 million people died, including unprecedented numbers of civilians. If there was anything positive to come out of the carnage, it was the emergence of new support – particularly in smaller states tired of being caught in the crossfire of big power rivalry – for interstate cooperation. Although several modest attempts were made to put ideas into practice (Belgium and Luxembourg, for example, created a limited economic union in 1922), most Europeans remained attached to their national and state identities.

Map 4.1 *Europe after the Second World War*

But the 1919 Treaty of Versailles, by punishing Germany and demanding reparations, had already laid the foundations for more conflict. The rise of Nazism squashed all ideas of peaceful cooperation, and the outbreak of another European war in 1939 suggested that the region was incapable of finding the formula for a lasting peace (Marks, 2003). The Second World War brought new levels of death and destruction, cost millions of civilian and military lives, left cities in ruins, cut agricultural production by half, left an estimated 13 million refugees at war's end, destroyed essential infrastructure, and brought political and economic dislocation to winners and losers alike.

The troubled state of post-war Europe

Relief at the end of the war was reflected in the rejoicing and celebration that broke out on VE Day, 8 May 1945. However, it was clear that Europeans now faced the sobering and monumental task of rebuilding not just the infrastructure destroyed by war but often entire political, economic and social systems. They had suffered physically and psychologically, and now cast anxious eyes at the challenges that lay ahead, some more apparent than others:

- **France** had suffered a wartime division between collaborators and the Resistance, and now worried about how to modernize its economy and extend welfare provisions, its international standing unclear. The constitution of the Fourth Republic (adopted in 1946) was flawed, and France was to suffer blows to its military pride in Indochina in 1954 and again at Suez in 1956 (see Chapter 5).
- **Britain** had seen its finest hour during the war, but while it was politically stable and enjoyed rapid economic recovery after the war, its international role had changed. The beginning of the end of its great power status came in August 1947 with independence for India and Pakistan. Many Britons, though, still held on to their national pride and their interests outside Europe, and paid little attention to developments on the continent.
- **Ireland** had been officially neutral during the war but with its economy bound to that of Britain, its post-war approach to Europe was subject to the British lead.
- **Germany** found itself under four-way foreign occupation, and by 1948 was divided into socialist eastern and capitalist western sectors. The Federal Republic of Germany (or West Germany) was founded in May 1949, and the popular Chancellor Konrad Adenauer worked to side his new state with the new Atlantic Alliance and to rebuild German respectability, goals that inevitably made it a champion of regional integration.
- **Austria** had been left relatively unscathed by war, and although it was divided like Germany into separate post-war zones of occupation, it returned quickly to its 1920 constitution and held democratic elections. It declared itself neutral in 1955, but economic ties pulled it into the western European orbit.
- **Italy** was less successful than West Germany in achieving post-war economic and political stability. A new Italian republic was created in June 1946, but there were frequent changes of government, systemic corruption and bureaucratic incompetence. Some saw integration with Europe as a means of helping Italy

deal with its economic problems, but Italy remained something of a reluctant European.

- The five **Nordic states** had different wartime experiences, ranging from neutrality in Sweden and Finland to invasion and German occupation for Denmark and Norway. The five enjoyed political stability and few internal social problems, harmonized national laws, agreed common foreign policy positions, and in 1952 formed the Nordic Council to promote the abolition of passport controls, the free movement of workers, and joint ventures.
- The **Benelux states** (Belgium, the Netherlands and Luxembourg) had all been occupied by the Germans, and were interested in economic cooperation. In 1948 the Benelux customs union was created, paving the way for the 1960 Benelux Economic Union, which proved to be a landmark experiment in European integration.
- In **Greece**, **Portugal** and **Spain**, the road to democracy and economic growth was rocky. Greece enjoyed post-war economic growth, but political tensions would lead to a military dictatorship in the period 1967–74. Portugal had been under the authoritarian government of Antonio Salazar since 1928, and Spain under the dictatorship of Francisco Franco since 1939. Surrounded by efforts to encourage post-war international cooperation, all three remained relatively isolated.
- The prospects of **eastern Europe** taking part in broader regional cooperation were trampled by its post-war absorption into the Soviet sphere, and its obligation to follow the Soviet lead on foreign policy, which meant no cooperative deals with the West.

The Second World War also resulted in a reordering of the international system. Until 1939, the world's great powers were mainly European, their influence based on their large militaries and economies, their strong positions in international trade, and their financial investments around the world (Levy, 1983). While Britain and France continued to act like great powers after the war, it soon became clear that there was a new international order in place, dominated by the United States and the Soviet Union, which each earned the new label *superpower* (Fox, 1944) (see Chapter 26 for further discussion). Europe's decline was soon confirmed by the region's division in an ideological **Cold War** between the superpowers in which Europeans were to play only a supporting role.

Three urgent priorities now faced European states:

1. Economic reconstruction was urgently needed if Europe was to recover and regroup, but it was clear that the region was too tired and drained to be able to achieve this alone.
2. Europeans not only continued to be suspicious of each other, but also faced the prospect of being the battlefield in a war between the Americans and the Soviets, leading perhaps to nuclear annihilation.
3. Nationalism had been the main cause of both world wars, and Europeans could not hope to live in peace unless it was channelled in a more benign direction.

The question now was how to address those priorities and to break with a *long tradition of conflict among Europeans.*

CONCEPT

Cold War

A war of words, ideas and ideologies between the US and its surrogates, on the one hand, and the Soviet Union and its surrogates on the other. It lasted from the late 1940s to the late 1980s, and had an important effect on Europe because of its East/West political divisions and because of the stresses caused by straddling the divide between the two key protagonists. The end of the Cold War brought an important redefinition of the idea of Europe.

Rebuilding economies (1944–51)

The post-war international economic system was mapped out at a landmark meeting in July 1944, when economists and political leaders from both sides of the Atlantic gathered at the Mount Washington Hotel, set in the forested hills of Bretton Woods, New Hampshire. There they laid down the principles of what became known as the **Bretton Woods system**: the convertibility of currencies, free trade, non-discrimination, and stable rates of exchange. These would be underpinned by the new strength of the US dollar and the creation of two international organizations: the International Monetary Fund would encourage exchange rate stability, while the World Bank would lend to European countries affected by war. A third body, the International Trade Organization, failed to win US support and it was instead agreed to set up the General Agreement on Tariffs and Trade as a temporary measure to oversee negotiations aimed at the progressive reduction of barriers to trade.

Noble as these goals may have been, it soon became clear that the economic costs of the war had been underestimated: there was a brief post-war boom in western Europe, but growth was not sustained, food was still being rationed, and governments were using up their dollar reserves buying essential imports. Large amounts of capital investment were needed, and the only ready source was the US. Its wartime economy had prospered, and although it had provided more than $10 billion in loans and aid to Europe between 1945 and 1947 (Milward, 1984), a more structured approach was needed.

In a speech at Harvard University in June 1947, US Secretary of State George Marshall announced that the US would do whatever it could to help encourage Europe's economic revival. His motives were clearly political (a strong Europe would help prevent Soviet expansionism and create a new market for US exports), but he couched his arguments in humanitarian terms, arguing that US policy was directed 'against hunger, poverty, desperation and chaos' and that 'its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist' (Marshall, 1947).

Within weeks, representatives of 16 western European governments had met in Paris to begin listing needs. Between 1948 and 1951 the European Recovery Programme, otherwise known as the **Marshall Plan**, was to provide $12.5 billion in aid (Milward, 1984) (about $130 billion in today's terms, adjusted for inflation). Even so, the long-term role and significance of Marshall aid remains contested. Hitchcock (2004) points out that economic recovery was already under way before the aid arrived, with most western European countries already back up to, or close to, pre-war levels of production. On the other hand, the aid had psychological value: it reassured an economically nervous western Europe, helped bind together transatlantic economic interests, and helped offset communist influence in western Europe. In short, contends Judt (2005, p. 97), it 'helped Europeans feel better about themselves'.

The Marshall Plan also helped lay critical foundations for European integration. The US insisted on the creation of a new international body, the **Organisation for European Economic Co-operation (OEEC)**, to coordinate the distribution of aid. Meeting for the first time in April 1948, its goals included reducing tariffs and other barriers to trade, and a free trade area or customs union among its members (Articles 4–6 of the Convention for European Economic Cooperation, quoted in Palmer and Lambert, 1968). The OEEC was western Europe's first permanent organization for economic cooperation, encouraged cooperation among its 18 members, and helped reveal the degree of economic interdependence among its members (Urwin, 1995). (In December 1960 the OEEC was reorganized as the Organisation for Economic Co-operation and Development.)

CONCEPT

Bretton Woods system
The arrangement agreed at Bretton Woods in 1944, by which it was hoped that the economic and financial mistakes of the mid-war years would be avoided, and a new and more sustainable international commercial and financial system created. The key goal of the system was exchange rate stability, using gold as the reference point, and a free convertibility of currencies that would encourage trade. The system ended in August 1971 when the US unilaterally ended the convertibility of gold and the US dollar, sparking exchange rate volatility and helping encourage western Europe to take the first steps in what would eventually lead to the creation of the euro.

Marshall Plan
A programme under which the US offered financial assistance to encourage post-war recovery in Europe. Often credited with providing the investments needed to pave the way for regional integration.

Organisation for European Economic Co-operation (OEEC)
An international body set up to coordinate and manage Marshall aid, which some see as the first significant step in the process of post-war European integration.

TIMELINE

First steps (1944–58)

1939–45		Second World War
1944	July	Bretton Woods conference
1945	May	End of the war in Europe
1946	March	Churchill's 'iron curtain' speech
	September	Churchill's 'United States of Europe' speech
1947	March	Announcement of Truman Doctrine
	June	George Marshall's speech at Harvard
1948	January	Benelux customs union enters into force
	March	Brussels Treaty creates Western Union
	April	Launch of the Marshall Plan; first meeting of OEEC
	May	Congress of Europe meets in The Hague
	June	Start of Berlin blockade
	October	Creation of European Movement
1949	April	Signature of North Atlantic Treaty, and creation of NATO
	May	Creation of Council of Europe; end of Berlin blockade; creation of Federal Republic of Germany
1950	May	Schuman Declaration
1951	April	Signature of Treaty of Paris
1952	May	Signature of the European Defence Community treaty
	August	European Coal and Steel Community begins work
1953	March	Plans announced for European Political Community
1954	May	French defeat in Indochina
	August	Collapse of plans for European Defence Community and European Political Community
	October	Creation of Western European Union
1955	May	Creation of Warsaw Pact
1956	May	Opening of discussions on what would become the EEC
	Oct–Dec	Suez crisis
1957	March	Signature of Treaties of Rome
1958	January	Treaties of Rome enter into force

Addressing external threats (1946–49)

Although economic reconstruction was their most immediate priority, western Europeans also worried about threats to their security, now more external than internal. The US had pulled most of its military out of Europe soon after the war, encouraged by public opinion at home that favoured leaving future peacekeeping efforts to the new United Nations. It soon became clear, though, that Stalin had plans to spread Soviet influence in Europe, replacing the old Nazi threat with a new communist threat. Winston Churchill drew public attention to the dilemma with his famous March 1946 speech in Fulton, Missouri, in which he warned of the descent of an 'iron curtain' across Europe.

The Americans expected that responsibility for European security would be shared with the British and the French, but neither had the resources to meet their end of the bargain. President Harry S. Truman concluded that the US should step into the breach, and in March 1947 announced what was to become known as the Truman Doctrine: it would now be US policy, he declared, 'to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures' (Truman, 1947).

The new insecurities of Europe were quickly illustrated by events in Germany. While the western Allies favoured German self-sufficiency, the Soviets first wanted reparations and a guarantee of security from German aggression. Prompted by Soviet belligerence, Britain, France and the Benelux states signed the Brussels Treaty in March 1948, creating the Western Union whose members pledged to provide 'all the military and other aid and assistance in their power' in the event of attack. The Allies also began discussions aimed at building a new West German government and tying West Germany into the Atlantic Alliance. When they announced their plans in June 1948, the Soviets responded by setting up a blockade of West Berlin, obliging the British and the Americans to organize an 11-month airlift of supplies to the beleaguered city.

With the twin need of protecting western Europe and also sharing the burden, the Americans and their western European allies signed the North Atlantic Treaty in April 1949, under which the idea of mutual protection was expanded to include the US, Britain, France, Canada, Italy, the Benelux countries, Denmark, Iceland, Norway and Portugal. The treaty was given institutional substance with the creation of the **North Atlantic Treaty Organization (NATO)**.

As with the Marshall Plan, opinion on the significance of NATO has been divided. On the one hand, the treaty stated that 'an armed attack against one or more of [the members]… shall be considered an attack against them all', but it obliged each member to respond only with 'such action as it deems necessary, including the use of armed force'. In other words, there was no firm commitment to a combined military response. On the other hand, the creation of NATO sent a strong message to the Soviets, who countered in 1955 with the creation of their own defensive agreement, the Warsaw Pact (the Treaty of Friendship, Cooperation and Mutual Assistance).

North Atlantic Treaty Organization (NATO) A defensive alliance created in 1949 among the US, Canada and most major western European states, designed in part to send a hands-off warning to the Soviet Union. More broadly known as the Atlantic Alliance.

The Council of Europe (1946–50)

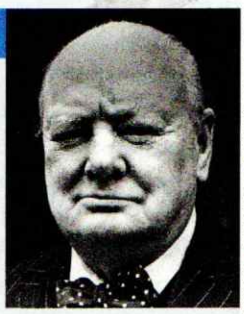
In the new atmosphere of receptivity to cooperation in western Europe, several pro-European groups were founded or revived, but what was lacking was a strong political lead. During the war, Winston Churchill had suggested the creation of 'a United States of Europe' operating under 'a Council of Europe', with reduced trade barriers, free movement of people, a common military, and a High Court to adjudicate disputes (Palmer and Lambert, 1968, p. 111). He repeated the suggestion in a speech co-drafted by Coudenhove-Kalergi (Salmon and Nicoll, 1997) and given in Zurich in September 1946. Thus prompted, pro-European groups organized the Congress of Europe in The Hague in May 1948, presided over by Churchill and attended by more than 600 delegates from 16 states and observers from Canada and the US. Opinion differed, though, on the meaning of European unity, and the **European Movement** was created later that year with a view to moving the debate along; the eventual compromise was the signing on 5 May 1949 of a statute in London creating the **Council of Europe**.

European Movement An organization created in 1948 to champion the cause of European integration. It was behind the setting up of the Council of Europe and continues today to lobby for a federal Europe.

Council of Europe An organization founded in 1949 at the suggestion of Winston Churchill, which has gone on to promote European unity with a focus on issues relating to democracy and human rights.

PROFILE

Winston Churchill


Source: Alamy/Everett Collection Historical

Winston Churchill (1874–1965) was prime minister of Britain between 1940 and 1945, and again between 1951 and 1955. Although he was the great symbol of British resistance to the Nazi threat during the Second World War, he is a controversial figure in the gallery of Europeanists. On the one hand, he inspired many of the ideas that set the tone for discussions about cooperation, including his role in the creation of the Council of Europe, and his warning of the 'iron curtain' that had descended across the continent. On the other hand, he was clearly a champion of Britain's association with the English-speaking peoples of the world, and equivocated on the precise role that Britain might play in Europe. He has never quite been elevated to the same ranks in the European debate as the other 'founding fathers', such as Paul-Henri Spaak (one-time prime minister of Belgium) and Robert Schuman.

The goal of the new body was to achieve 'a greater unity between its Members … by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal and administrative matters'. Its most lasting contribution was the drafting in 1950 and the subsequent management of the European Convention on Human Rights, which today plays a key role in the European legal structure (see Chapter 8). As for the broader issue of European integration, though, the Council was too limited in its goals for the tastes of federalists.

With more practical goals in mind, Jean Monnet recruited to his cause Robert Schuman, the incumbent foreign minister of France. Both were committed integrationists, both felt that the noble statements of the unity lobby needed to be translated into practical action, and both agreed with Churchill that the logical focus should be on the Franco-German problem. Schuman was suspicious of Germany, but was encouraged by US Secretary of State Dean Acheson to give it political credit, and to provide French leadership on the tricky question of bringing West Germany back into the western community. An opportunity was created by US and British interest in West German rearmament; this ran the danger of tilting the European balance of power (Hitchcock, 2004), but not if West Germany was allowed to rebuild under the auspices of a new supranational organization that would bind it into the wider process of European reconstruction.

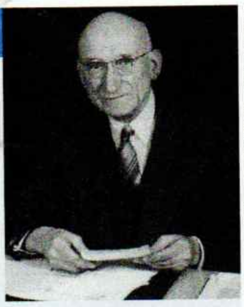
The European Coal and Steel Community (1950–52)

At early meetings of the European Movement, the suggestion had been made that coal and steel offered strong potential for cooperation. They were the building blocks of industry, and cooperation might eliminate waste and duplication, boost industrial development, and ensure that West Germany became reliant on trade with the rest of western Europe (Milward, 1984). As to how to proceed, Monnet's view was that a new supranational organization with powers and a life of its own was needed. He discussed this with Schuman and West German Chancellor Konrad Adenauer, and they agreed on the creation of a new body within which responsibility for coal and steel production could be pooled so as to lay the foundations for what might eventually become a European federation. Their proposal was announced by Schuman at a press conference in Paris on 9 May 1950 – almost five years to the day after the end of the war in Europe.

Despite the revolutionary qualities of the Schuman Plan, few other governments shared Monnet's enthusiasm for its commitments, and only four agreed to sign up: Italy sought respectability and stability, and the three Benelux countries were small

PROFILE

Robert Schuman


Source: EC - Audiovisual Service

Robert Schuman (1886–1963) was the quintessential European: born to French parents in Luxembourg, he was brought up in then German-ruled Lorraine, attended university in Germany, and served in the German army during the First World War. Elected after the war to the French parliament, he refused to serve in the French Vichy government during the Second World War, and was imprisoned by the Gestapo for his criticism of German policy. He escaped, joined the French Resistance, and was re-elected to the French legislature in 1945. He served as France's finance minister and briefly as prime minister before serving as foreign minister from 1948 to 1952. Although the May 1950 declaration of the European Coal and Steel Community (ECSC) bears his name, it was the brainchild of Jean Monnet, and Monnet later claimed that Schuman 'didn't really understand' the plan (Jenkins, 1989, p. 220). Nonetheless, Schuman has won a permanent place in the pantheon of the pioneers of integration.

and vulnerable, had twice been invaded by Germany, were heavily reliant on exports, and felt that the only way they could have a voice in world affairs and guarantee their security was to be part of a bigger unit. As for the others, they either had too many interests outside Europe, felt they had little to gain from pooling coal and steel, were still wary of the Germans, or had little interest in international cooperation.

Against this less than encouraging background, the governments of the Six opened negotiations in June 1950. There was resistance to Monnet's plans to break down coal and steel cartels, and the negotiations were hard, but Monnet prevailed and on 18 April 1951 the Treaty of Paris was signed, creating the **European Coal and Steel Community (ECSC)**. It was charged with building a common market in coal and steel by eliminating import and export duties, discriminatory measures among producers and consumers, subsidies and state assistance, and restrictive practices. The new organization began work in August 1952, managed by four institutions: an executive High Authority, a Special Council of (national) Ministers, an advisory Common Assembly, and a Court of Justice charged with settling disputes.

Opinion on the long-term significance of the ECSC is divided. For Dinan (2014, pp. 58, 67), it was 'politically important and institutionally innovative but economically insignificant', and he doubts that it contributed much to Europe's economic growth. Although it initially benefited from rising demand for coal and steel on the back of the Korean War, it ultimately failed to achieve its core goal of a single market for coal and steel (Gillingham, 1991). Like the Marshall Plan and NATO, however, it had an important psychological effect, obliging the governments of the Six to work together and learn new ways of doing business.

European Coal and Steel Community (ECSC) The first organization set up to encourage regional integration in Europe, with qualities that were both supranational and intergovernmental.

Internal and external shocks (1950–56)

Even as western Europeans worked on the ECSC, they were also working on two other cooperative initiatives that proved patently overoptimistic in their reach. The first of these was the **European Defence Community (EDC)**, which had first been proposed in 1949 by Konrad Adenauer, seeking West German remilitarization in the interests of self-defence. A draft plan was published in October 1950, speaking of the need for a common defence and a European army made up of units from different countries coming under the control of a European minister of defence, responsible to a council of ministers and a European assembly (Stirk and Weigall, 1999).

European Defence Community (EDC) A failed plan to create a common European military as a means of binding a rearmed West Germany into western Europe.

A draft EDC Treaty was signed in May 1952 by the six members of the ECSC, but it immediately faced two critical handicaps: it lacked support from

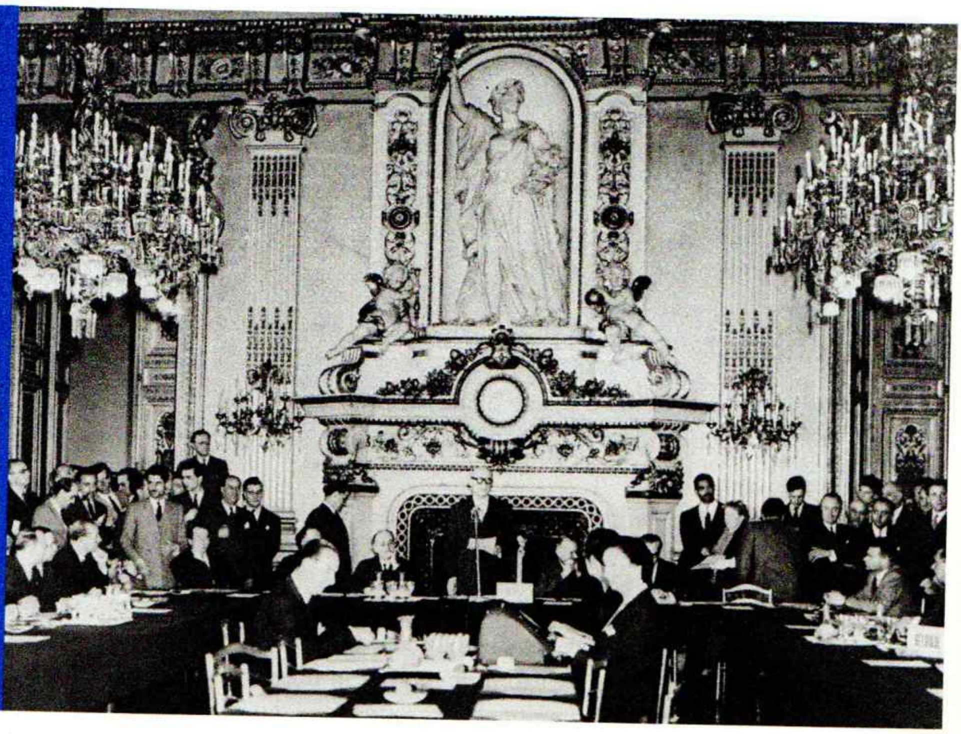


Illustration 4.1: Robert Schuman addresses a press conference in the Salon d'Horloge at the Quai d'Orsay in Paris on 9 May 1950, and announces the plan to set up the European Coal and Steel Community.

Source: EC - Audiovisual Service

Britain, the only remaining large military power in Europe, and its core goal of building a Franco-German military force could not be achieved without the full remilitarization of West Germany, which was unlikely to happen for several more years. Then, in May 1954, came a humiliating blow to French pride and influence: the surrender of 12,000 French forces besieged by communists at Dien Bien Phu in French Indochina (for details, see Boylan and Olivier, 2018). In a sombre mood, the French National Assembly rejected the EDC Treaty in August.

Western European Union (WEU) A defensive alliance (created in 1948 as the Western Union) that was always to be overshadowed by NATO, and, in spite of being given a potential new role in EU defence in the 1990s, eventually became dormant.

European Political Community (EPC) An attempt to create a political community to oversee the ECSC and the European Defence Community, which collapsed with the demise of the latter.

Suez crisis An attempt made by Britain, France and Israel to reverse Egypt's nationalization of the Suez Canal, leading to an international outcry, the humiliation of Britain and France, and a change in British attitudes towards European integration.

Eager to encourage military cooperation that went beyond the loose obligations of NATO, Britain now proposed transforming the Western Union into the **Western European Union (WEU)** (Rohan, 2014). This was to be intergovernmental (in contrast to the supranational EDC), and reiterated the commitment made in the 1948 Treaty of Brussels that, in the event of an attack on one of its members, the others would respond with 'all the military and other aid and assistance in their power' (a commitment that went beyond the NATO obligation on a member to respond only with 'such action as it deems necessary'). The WEU – eventually created in 1954 – was also more than a security agreement: modifications to the Treaty of Brussels included agreement to 'promote the unity and to encourage the progressive integration of Europe'.

The second major initiative of the early 1950s was the **European Political Community (EPC)**. Prompted mainly by the desire to create a political control mechanism to oversee the EDC and the ECSC (Dinan, 2014), a draft plan was agreed in 1953. This included proposals for a European executive council, a council of ministers, a court of justice, and an elected bicameral parliament (anticipating much of today's EU). It was too soon to be thinking so ambitiously, though, and the collapse of the EDC also meant the end of the EPC.

Another shock was to follow, with the unfolding of the 1956 **Suez crisis**. Seeking funds to build a new dam on the Nile, Egyptian leader Gamal Abdel Nasser nationalized the British- and French-run Suez Canal in July 1956. The canal's strategic value was declining, and the nationalization had no impact on

British access, but because Nasser was considered a threat to western interests, the governments of Britain, France and Israel entered into an agreement by which Israel attacked Egypt in October, providing the British and the French with an excuse to step in and 'restore' peace in the canal zone. Coincidentally, the Soviets were cracking down on attempts by the Hungarian government to introduce democracy and withdraw from the Warsaw Pact, leaving the US in the invidious position of not being able to criticize the USSR without also criticizing British and French action at Suez. In the face of US demands, Britain and France withdrew from Suez with their tails between their legs.

The reverberations of Suez were to be felt for many years (see von Tunzelman, 2016): the dominant role of the US in the Atlantic Alliance was confirmed, the French were left more doubtful than ever about American trustworthiness and more convinced of the importance of western European policy independence (Lundestad, 2003), and Britain now began to realize that it was no longer a world power. Its leaders began to turn away from their traditional links with the empire, and started to look more towards Europe. Britain shunned the ECSC, but within five years of Suez, it had applied for membership of the European Economic Community.

European Economic Community (EEC)
An international organization created in 1957 with the key goal of establishing a single market among its member states.

European Atomic Energy Community (Euratom)
An international organization created in 1957 to coordinate research in its member states on the peaceful use of nuclear energy.

The European Economic Community (1955–58)

Chastened by the failures of the European defence and political communities, ECSC foreign ministers met in June 1955 in Messina, Sicily, and soon found their discussions turning to proposals for further economic integration. In the Messina Resolution, they agreed to consider working 'for the establishment of a united Europe by the development of common institutions, the progressive fusion of national economies, the creation of a single market, and the progressive harmonization of their social policies' (quoted in Weigall and Stirk, 1992, p. 94).

A new round of negotiations among the six ECSC members began in Venice in May 1956, paving the way for the signature on 25 March 1957 of the two Treaties of Rome, one creating the **European Economic Community (EEC)** and the other the **European Atomic Energy Community (Euratom)**. Following

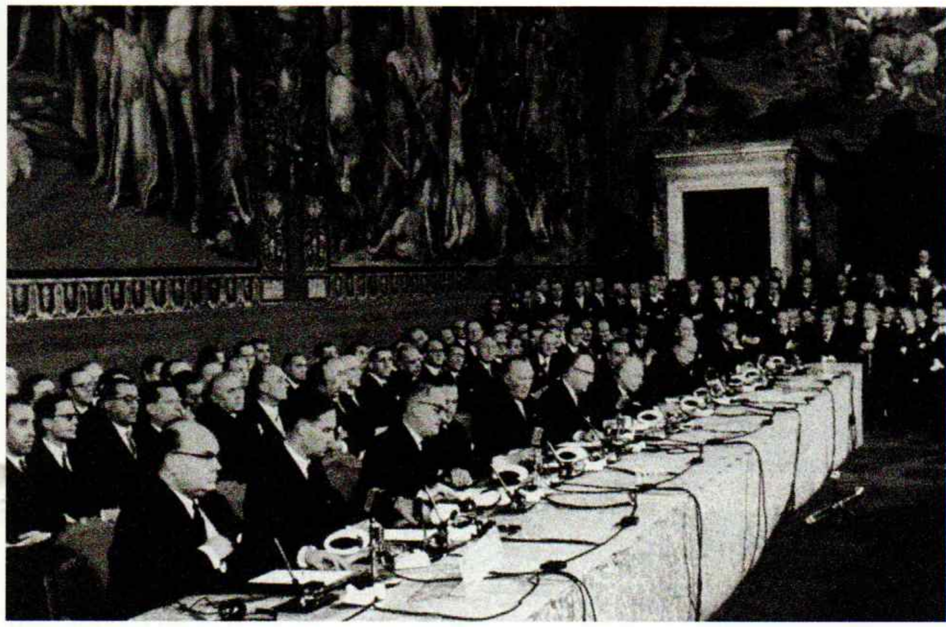


Illustration 4.2: Delegates from six western European states gather in the Palazzo dei Conservatori on Capitoline Hill in Rome on 25 March 1957 to sign the Treaty of Rome.

Source: EC - Audiovisual Service

CONCEPT

Single market

A multi-state economic area, otherwise known as a common or internal market, in which there is free movement of people, money, goods and services – the so-called 'four freedoms'. Although the main goal of the EEC was the creation of a single market, progress was halting until the passage of the 1986 Single European Act. Even critics of European integration mainly agree that the single market was a noble goal, and complain that integration has since far overstepped this basic idea. But a truly open market does not yet exist in the EU, because there are still restrictions on the movement of workers and limits on trade in services. (See Chapters 5 and 20 for more detail on the European single market.)

ratification by member state parliaments during 1957, both treaties entered into force in January 1958. Euratom was of more interest to the French than to others and was quickly relegated to focusing on research. The EEC was by far the more substantial experiment, committing its six members to several goals:

- The completion within 12 years of a **single market** in which there would be free movement of people, capital and services. Movement of workers was 'subject to limitations justified on grounds of public policy, public security or public health'.
- The elimination of customs duties between member states, and agreement of a common external customs tariff so that all goods coming into the EEC, wherever their point of entry, were subject to the same duties and quotas.
- The establishment of common policies on agriculture, trade, transport and competition.
- The creation of a European Social Fund and a European Investment Bank.
- The use of the same core institutional structure as the ECSC (see Figure 4.1).

The early record of the EEC was mixed, which was perhaps inevitable, given that it was sailing uncharted waters. Internal tariffs and trade quotas were brought down, clearing the way for agreement in July 1968 of a common external tariff and an industrial customs union. This helped encourage accelerated economic growth, a halving of the contribution of agriculture to economic output, and a growth in trade among the EEC partners at a rate three times faster between 1958 and 1965 than that with third countries (Urwin, 1995). Non-tariff barriers to trade remained, however, mainly in the form of different national product standards. While the Common Commercial Policy allowed the Six to work as one in international trade negotiations, exploiting the new power of the single market, there was slow progress on developing a common transport policy and addressing regional economic disparities.

After much debate, a Common Agricultural Policy (CAP) was agreed in 1968 with the acceptance of a watered-down version of a plan drawn up by agriculture commissioner Sicco Mansholt (Pinder, 1991; Urwin, 1995). Very much

Figure 4.1 *Structure of the European Economic Community*

INSTITUTION	MEMBERSHIP	FUNCTION
Commission	Nine members appointed for six-year terms.	Initiating policy and overseeing implementation.
Council of Ministers	Government ministers sharing 17 votes. Some decisions unanimous, some simple majority, some requiring qualified majority of 12 votes from four states.	Making decisions on proposals from the Commission.
Parliamentary Assembly (renamed European Parliament in 1962)	142 appointed members (elected from 1979).	Could question or censure the Commission, but had little legislative authority.
Court of Justice	Seven judges appointed for renewable six-year terms.	Interpreting the treaties and ensuring that the EEC institutions and the member states fulfilled their treaty obligations.

Map 4.2 *The European Economic Community, 1958*

reflecting French national interests (specifically, how to manage its agricultural overproduction), the CAP created a single agricultural market and set guaranteed prices for almost everything produced by EEC farmers. However, it did this at the expense of encouraging overproduction, benefiting large-scale commercial farmers at the expense of small farmers, ignoring the environmental consequences of greater use of chemical fertilizers and pesticides, and making the CAP the largest item in the Community budget, which in turn diverted spending from other areas (see Chapter 23 for more details).

Institutionally, the EEC was intergovernmental and elitist in character, key decisions being made by government ministers and the staff of the European institutions with little reference to public opinion. The identity of the European Commission was fleshed out under the leadership of its first president, Walter Hallstein, and decision-making was streamlined in April 1965 with the signature of the Merger treaty, which created a single institutional structure for all three communities. The European Parliament shrewdly exploited its moral advantage as a 'representative' body to win more legislative authority, and the European Court of Justice contributed quietly but vitally by issuing judgments that changed the personality and the legal reach of the Community.

Discussion questions

1. What were the major historical causes of European conflict and war?
2. What had changed by 1945 to make Europeans more receptive to the idea of cooperation?
3. Why were France and Germany so central to the interests of European integration?
4. How important were Bretton Woods, the Marshall Plan and the Suez crisis to the early history of European integration?
5. Was the European Economic Community the best that could have been achieved at the time, or could integrationists have afforded to have been more ambitious?

Key terms

Council of Europe
European Atomic Energy Community
European Coal and Steel Community
European Defence Community
European Economic Community
European Movement
European Political Community
Marshall Plan
North Atlantic Treaty Organization
Organisation for European Economic Co-operation
Suez crisis
Western European Union

Concepts

Bretton Woods system
Cold War
Single market

Further reading

- Berend, Ivan T. (2016) *The History of European Integration: A New Perspective* (Routledge). A historical assessment centred on the role of the United States and of large corporations in the evolution of European integration.
- Dinan, Desmond (2014) *Europe Recast: A History of European Union*, 2nd edn (Palgrave Macmillan). The best general history of European integration, essential reading before moving on to more detailed or revisionist studies.
- Gilbert, Mark (2012) *European Integration: A Concise History* (Rowman and Littlefield). A history of European integration placed within the context of the wider history of the world since 1945.

5 BUILDING THE COMMUNITY (1958–95)

Preview

The early years of the EEC were troubled, with political disagreements over the powers of its institutions playing out against a background of deepening Cold War tensions. While President Charles de Gaulle defended French interests at home, international relations were rocked by the Berlin crisis, the Cuban missile crisis, the war in Vietnam, and the Soviet crackdown on reform in Czechoslovakia. De Gaulle was also a key player in delaying early efforts to enlarge the membership of the Community.

In 1973 the Community welcomed its first new members – Britain, Ireland and Denmark, followed in the 1980s by Greece, Spain and Portugal. The main effect of enlargement was to change the political balance of integration as France and Germany found their previously dominant roles challenged, and the economic and social disparities among EEC member grew.

Efforts to achieve exchange rate stability pushed monetary union up the agenda, leading to the launch in 1979 of the European Monetary System. It would be many more years, though, before Europeans would be ready for a single currency. Meanwhile, there were more successful efforts to address slow progress on completion of the single market, resulting in agreement of the 1986 Single European Act (SEA). This gave the EEC a new sense of mission and identity, and came just as the Cold War was winding down; the collapse of the Berlin Wall in 1989 symbolized the end of the division of the continent, and emphasized the need for the Community to assert itself on the global stage.

Key points

- The 1960s were a time of Cold War nervousness, opening with the Berlin crisis and the Cuban missile crisis and closing with an escalation of the war in Vietnam. These events impacted the tripartite relationship among Europe, the US and the USSR.
- Britain, Denmark and Ireland joined the EEC in 1973, followed in the 1980s by Greece, Spain and Portugal. The political and economic personality of the EEC changed as a result.
- The Community's first attempt to pave the way to a single currency – the 1972 'snake in the tunnel' – failed mainly because of bad timing, and was replaced by the 1979 European Monetary System.
- In the mid-1980s an attempt was made to refocus attention on completion of a European single market. The result was the 1986 Single European Act, the first major amendment to the founding treaties of the European Community.
- Concerned about the slowness with which borders were being opened within the EEC, several member states signed the Schengen Agreement in 1985, aimed at a fast-track lifting of customs and immigration checks.
- The political revolutions of 1989 brought an end to the Cold War and an end to the political and economic divisions between western and eastern Europe.

Teething troubles: The nervous 1960s

On 14 January 1963, a press conference was held in Paris at the Elysée Palace, official residence of the president of France. The incumbent of the office, the notoriously lordly Charles de Gaulle, hero of the wartime French resistance to Nazi occupation, addressed a number of matters before turning to a journalist who asked a question that had been pre-arranged with de Gaulle's office. What, asked the journalist, was France's position regarding potential British membership of the EEC? 'A very clear question,' responded de Gaulle, 'to which I shall endeavour to reply clearly.'

He then embarked on a critical and dismissive review of Britain as a European state, contrasting the 'solidarity' of the six members of the EEC with the 'insular' and 'maritime' qualities of 'England', which he considered to be a country with 'very marked and very original habits and traditions' (Virtual Centre for Knowledge on Europe, 2019). It was possible, he said, that England might one day 'manage to transform herself sufficiently to become part of the European Community', without restriction or reserve, but that time had not yet arrived.

His statements amounted to a unilateral dismissal of the British application to join the EEC, which de Gaulle capped ten days later by signing a Franco-German friendship treaty (the Elysée Treaty). He referred his decision to none of his EEC partners except West Germany, revealing, protested the former Belgian Prime Minister Paul-Henri Spaak (1971, p. 375), 'a lack of consideration unexampled in the history of the EEC, showing utter contempt for his negotiating partners, allies and opponents alike'. Since Britain's application was part of a four-state package with Denmark, Ireland and Norway, they too were denied entry.

De Gaulle's surprise announcement was just one of several events that shook the European Economic Community in its early years, some of them domestic and some of them foreign, and several of which were sparked by de Gaulle's defence of French interests at the expense of moving along the debate on Europe: the veto of Britain's application was followed in July 1965 by the **empty chair crisis**, at the heart of which lay the question of the relative power of EEC institutions and EEC member states. Several factors played in to this:

- The first president of the Commission, Walter Hallstein, was a federalist whose attempts to build the institution were undermined by the fact that he had never been elected to office (he had spent much of his career as a law professor).
- Decision-making by qualified majority vote (a weighted voting system – see Chapter 11) was due to come into force in the Council of Ministers in January 1966 on several new issues, including agriculture and trade. This would restrict use of the national veto, even though it was understood that decision-making in the EEC was by consensus.
- During discussions over the CAP, Hallstein suggested that EEC funding should be changed from national contributions to 'own resources': an independent stream coming out of revenues from external tariffs and levies on agricultural imports.

This was all too much for de Gaulle, who faced a national election in late 1965 at which the Community for the first time became a central issue (Dinan, 2014). Although Hallstein backed down in the face of pressure from West German Chancellor Ludwig Erhard, de Gaulle had already decided to express some of his frustrations with the direction being taken by the EEC, and instructed his representatives to boycott meetings of the Council of Ministers (hence the 'empty chair'),

Empty chair crisis A dispute in 1965 over the relative powers of EEC institutions and the governments of EEC member states, which encouraged France to boycott meetings of the Council of Ministers.

PROFILE

CHARLES DE GAULLE


Source: European Parliament

Charles de Gaulle (1890–1970) was the pre-eminent statesman of France in the twentieth century, and a man known for his charisma, his defence of French interests, and his efforts to promote a global role for Europe in the face of US dominance. He served in the First World War and then in the opening battles of the Second World War, escaping after the fall of France in 1940 to Britain, from where he organized the Free French forces. Upon his return in 1944, he briefly became prime minister before retiring in 1946. Political crisis led to his return to power as the principal author of the new constitution of the Fifth Republic, and as the first president under the new constitution in 1958. De Gaulle's European policies focused on the Franco-German axis, resistance to the supranationalism of Community institutions, and efforts to reduce British influence (and, by extension, American influence). His heavy-handed leadership led to worker and student riots at home in 1968, and to his resignation as president in April 1969. He died just over 18 months later.

making it impossible for decisions on new laws and policies to be taken. The crisis ended only with the January 1966 **Luxembourg Compromise**, by which it was agreed that the qualified majority vote would not be used when member states felt that 'important interests' were at stake, thereby preserving the national veto. Institutionally, the result was a deceleration in the growth of Commission powers and the placing of more authority into the hands of the Council of Ministers (see Palayret et al., 2006).

While such problems were complicating efforts to build the EEC, critical salvoes were also being fired in the Cold War that would have long-term implications for the tripartite relationship between the US, the Soviet Union and Europe. In 1961 came the Berlin crisis, when – in order to stop the flow of easterners to the West – a barbed wire fence was built between East and West Berlin, followed by a concrete wall. When it was discovered in 1962 that the Soviets were building nuclear missile sites in Cuba, President John F. Kennedy, concerned that this was part of a Soviet ploy to get its way on Berlin (Judt, 2005), put his foot down, and for ten days in October the world teetered on the brink of nuclear war. Western Europeans were unsettled as much by the event as by how western European opinion seemed to have been marginalized in US calculations. For de Gaulle, it meant that Europeans might now face 'annihilation without representation' (quoted in Bernstein, 1980).

More transatlantic tensions were introduced by US policy in Vietnam, where the despatch of American military advisers in 1962–63 heralded an escalation into a fully fledged war in 1965. This was met with deep political misgivings and growing public hostility in western Europe, where the war revealed the extent to which views differed within the Atlantic Alliance on critical security problems. Anti-war demonstrations were held in many countries, and a 1967 poll found 80 per cent of western Europeans critical of US policy (Barnet, 1983).

At the close of the 1960s, the focus shifted to a seeming thaw in relations between western and eastern Europe. First came the Prague Spring in Czechoslovakia, when the reformist Alexander Dubček came to power in 1968 and instituted a series of political and economic reforms that sparked an invasion by Soviet and other Warsaw Pact troops in August. Then came the initiative by Willy Brandt, elected West Germany's first social democratic chancellor in October 1969, to reach out to East Germany and then to Poland and other eastern European countries through his *Ostpolitik* (Eastern policy).

Luxembourg Compromise A 1966 agreement ending the empty chair crisis, and making consensus the informal norm in Council of Ministers decisions. The effect was to slow down the process of European integration.

Although the Soviet crackdown on Czechoslovakia reminded western Europeans of the fragility of the international situation in which they found themselves, *Ostpolitik* showed what was possible in bringing east and west together. However, part of the bargain involved acknowledgment that the post-war division of Europe was permanent. Although Brandt's policies caused some initial divisions within western Europe, with France and Britain in particular worrying that it might result in West Germany being pulled into the Soviet orbit (Lundestad, 2003), Hitchcock (2004, p. 300) sees the changes as replacing the Cold War with a 'cold peace', and argues that by normalizing that division, 'Brandt may have been the first European statesman to swing a pickaxe at the Iron Curtain'.

CONCEPT

Enlargement

The process of expanding membership of the European Community/Union. While it had many potential benefits, it also had political costs: France and Germany in particular have worried about how it has reduced their dominating role in European decision-making; and with more members, there has been a greater variety of interests to be heard, more political disagreements to be resolved, and greater economic and social disparities to address. With expansion from 6 to 9 to 12 to 15 to 28 members (with more waiting in the wings), the personality, goals, values and internal political and economic dynamics of the EU have continued to evolve.

Enlargement arrives on the agenda (1960–86)

There was only so much that the EEC could achieve with just six members. Together they had a population of about 180 million, or about 56 per cent of the western European total, along with a 56 per cent share of western Europe's economic wealth. But if regional peace and economic prosperity were the two underlying purposes of integration, then other European states had to be brought into the fold through **enlargement**. While the EEC Treaty (Article 237) stated that 'any European State may apply to become a member of the Community', the number of realistic potential new members was limited; all eastern Europe was excluded, the Scandinavians were wary of supranationalism and had their own internal ties, and Greece, Portugal and Spain were either too poor and/or not sufficiently democratic.

The most obvious absentee was Britain, still a large (if declining) economy and the largest military power in Europe, and a critical bridge between western Europe and the US. Until Suez, at least, Britain still saw itself as a great power, and one with global political and economic interests that might be compromised by closer association with the rest of Europe. For Dean Acheson (1969, p. 385), US secretary of state during the Truman administration, Britain's decision not to negotiate on membership of the ECSC had been its 'great mistake of the postwar period'. As for the EEC, few in the British government felt that it had much potential, the official view, according to Prime Minister Harold Macmillan (1971, p. 73), being 'a confident expectation that nothing would come out of Messina' (the Italian city where negotiations on the creation of the EEC had taken place).

Britain's initial strategy was to champion the development of an alternative to the EEC, in the form of the looser and less ambitious **European Free Trade Association (EFTA)**. This was founded in January 1960 with the signing of the Stockholm Convention by Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland. It had the same core goal as the EEC of promoting free trade, but unlike the EEC, it involved no contractual arrangements, had no political objectives, and its only institutions were a Council of Ministers that met infrequently, and a group of permanent representatives serviced by a small secretariat in Geneva. It helped cut tariffs and promoted trade among its members, but several of them did more trade with the EEC than with each other, and EFTA failed in its efforts to pull EEC states into a broader free trade area.

European Free Trade Association (EFTA) A free trade grouping championed by Britain and founded in 1960, with more modest goals and looser organization than the EEC.

Even before the signing of the Stockholm Convention, Britain's attitude to the EEC had begun to change. Not only had Suez shattered the nostalgic idea of Britain as a great power, but it had become clear that political influence in Europe lay with the EEC, which was making strong economic progress, and Britain would risk political isolation and economic disadvantage if it stayed out.

Illustration 5.1: British Prime Minister Edward Heath signs the UK treaty of accession on 22 January 1972, paving the way for his country to be part of the first enlargement of the EEC in January 1973.

Source: EC - Audiovisual Service

So, in August 1961, barely 15 months after the creation of EFTA, Britain applied to join the EEC. Denmark also applied, prompted by the importance of Britain as its main food export market, and by the view that the EEC was a big new market for Danish agricultural surpluses and a possible boost to Danish industrial development. Ireland also applied, obliged as it was to follow the British lead but also hoping that the EEC would reduce its reliance on agriculture and Britain. They were joined in 1962 by Norway, which saw the new importance of EEC markets. Britain was the giant at the negotiating table, however, accounting for about 85 per cent of the population and GDP of the four applicant countries.

All might have proceeded smoothly but for Charles de Gaulle, who resented Britain's lukewarm attitude towards integration and its role in creating EFTA, was concerned that Britain might want to redefine some of the goals of the Community at the expense of French interests (particularly on agriculture), and regarded Britain as a rival to French influence in the EEC and a back door for US influence in Europe. The smaller Community states disagreed, supporting British membership as a means of offsetting French influence, and the British application had the support of the US, West Germany and Jean Monnet. Ignoring everyone, de Gaulle vetoed the application in January 1963.

Britain applied again in 1967 and was again unilaterally vetoed by de Gaulle, still trying to protect French interests in the CAP and still seeing Britain as a Trojan horse for the Americans; letting Britain and the other countries in at this point, he claimed, 'would lead to the destruction of the European Community' (quoted in Dinan, 2014, p. 115). Britain and the others had to bide their time until de Gaulle's resignation as president of France in 1969, when a third application was lodged and this time accepted. Following remarkably rapid membership negotiations in 1970–71, Britain, Denmark, Ireland and Norway were all cleared for EEC membership. When the Norwegians turned down the offer in a September 1972 national referendum, thanks mainly to the concerns of farmers and fishing communities, it was with Britain, Denmark and Ireland that the EEC saw its first enlargement on 1 January 1973. The Six had now become the Nine.

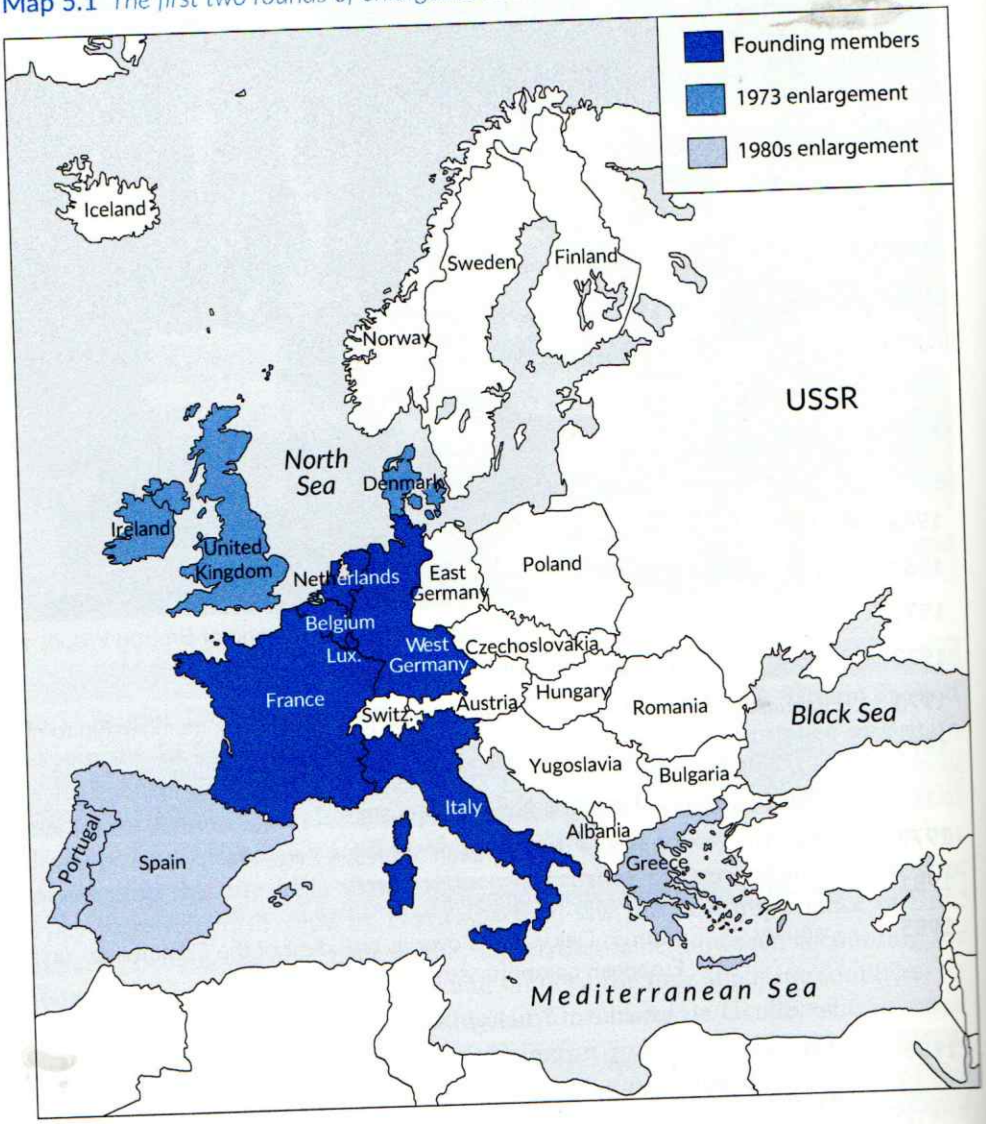
TIMELINE

Building the Community (1958–95)

1960	January	Signature of Stockholm Convention creating European Free Trade Association
1961	August	Work begins on construction of the Berlin Wall; Britain applies for EEC membership
1962	October	Cuban missile crisis
1963	January	De Gaulle vetoes British membership of EEC
1965	July	Empty chair crisis begins
1966	January	Empty chair crisis ends with Luxembourg Compromise
1967	May	Second British application for EEC membership
	November	Second veto by de Gaulle of British membership of EEC
1968	April	Beginning of Prague Spring
1969	December	EEC leaders agree principle of economic and monetary union
1971	August	US abandons dollar/gold convertibility; end of Bretton Woods system
1972	April	Launch of 'snake in the tunnel'
1973	January	Britain, Denmark and Ireland join EEC, taking membership to nine
1975	January	Launch of European Regional Development Fund
	March	First meeting of European Council
1979	March	Launch of the European Monetary System
1981	January	Greece joins Community
1985	January	Jacques Delors takes over as president of the Commission; first burgundy European passports issued
	June	Signature of Schengen Agreement
1986	January	Portugal and Spain join Community, taking membership to twelve
	February	Signature of Single European Act (SEA); Danish referendum supports SEA
1987	July	Single European Act enters into force
	Sept–Dec	Collapse of communist governments in eastern Europe; fall of Berlin Wall
1990	August	Iraqi invasion of Kuwait
	October	German reunification
1991	February	Ground war in Kuwait/Iraq
	June	Slovenia and Croatia declare independence; outbreak of war in Yugoslavia
1992	September 16	Black Wednesday
1995	March	Schengen Agreement enters into force
	December	Dayton Peace Accords end war in Yugoslavia

Interest in the Community was also emerging elsewhere. Greece had made its first overtures in the late 1950s but had an underdeveloped and mainly agricultural economy, so was given only associate membership in 1961. Full membership might have come

Map 5.1 *The first two rounds of enlargement, 1973–86*



much sooner had it not been for the Greek military coup of April 1967, following which even its association agreement was suspended. With its return to civilian government in 1974, Greece applied almost immediately for full Community membership. Portugal and Spain had also shown early interest in associate membership, but both were still dictatorships with underdeveloped and mainly agricultural economies; it was only with the overthrow of the Caetano regime in Portugal in 1974 and the death of Franco in Spain in 1975 that full EEC membership for the two states was taken seriously. The EEC felt that welcoming the three countries would strengthen their democracies and help link them more closely to NATO and western Europe, so negotiations were opened, leading to Greek membership in January 1981, and to Spain and Portugal joining the EEC in January 1986. The Nine had now become the Twelve.

The doubling of the membership of the EEC between 1973 and 1986 had several consequences:

- It changed the economic balance among the member states, by bringing in first the poorer British economy and then the even poorer Mediterranean states, which in turn meant a redistribution of EEC spending.

- It increased the international influence of the EEC, which was now the largest economic bloc in the world.
- It complicated the Community's decision-making processes by requiring that a wider range of opinions and interests be considered.

Although membership applications were also received from Turkey in 1987, Austria in 1989, and Cyprus and Malta in 1990, there was now to be a focus on deepening rather than widening. East Germany was to enter the Community through the back door with the reunification of Germany in October 1990, but there would be no further enlargement until 1995.

Exploring monetary union (1969–92)

In order to avoid a repeat of the economic problems of the mid-war years, exchange rate stability had been established as a lynchpin of the Bretton Woods system. The International Monetary Fund had been charged with helping maintain that stability, based on the convertibility of the world's major currencies with gold and the US dollar. Meanwhile, Europeans had taken their own initiatives, beginning with the creation in 1950 of the European Payments Union, intended to help encourage the convertibility of European currencies by setting realistic exchange rates (see Chang, 2009). In 1958 it was replaced by the European Monetary Agreement, under which EEC members (along with Britain, Ireland and Sweden) worked to keep exchange rates stable relative to the US dollar. In 1964, a committee of governors of the central banks began meeting to coordinate monetary policy, becoming the forerunner of today's European Central Bank.

While monetary cooperation was one challenge, monetary union was quite another, with its troubling implications for loss of national sovereignty; a state that gave up its national currency would lose much of its economic independence. With changes of leadership in France and West Germany in 1969, new ideas and fresh perspectives arrived, and at a summit of Community leaders in The Hague in December, the main items on the agenda were enlargement, agriculture and **economic and monetary union (EMU)** (Dinan, 2014). A year later, a committee headed by Luxembourg Prime Minister Pierre Werner reported in favour of parallel efforts to coordinate national economic policies while also working to hold exchange rates steady (Commission of the European Communities, 1970).

Then came another political shock. The Bretton Woods system had been based on confidence in the US dollar, which in turn depended on the strength of the US economy and the convertibility of US dollars and gold (Spero and Hart, 2010). While western European economies saw rapid growth in the 1960s, though, the costs of fighting the war in Vietnam caused inflation in the US and reduced international confidence in the dollar. The Nixon administration tried to deflect some of the blame onto the EEC, charging it with protectionism and an unwillingness to take more responsibility for the costs of defence (Judt, 2005). Then, in August 1971, Nixon unilaterally decided to end the convertibility of the US dollar with gold, ending the Bretton Woods system and ushering in an era of international monetary turbulence. This was made worse by an international energy crisis set off by the October 1973 Yom Kippur War between Israel and the Arabs, which resulted in Arab oil producers quadrupling the price of oil.

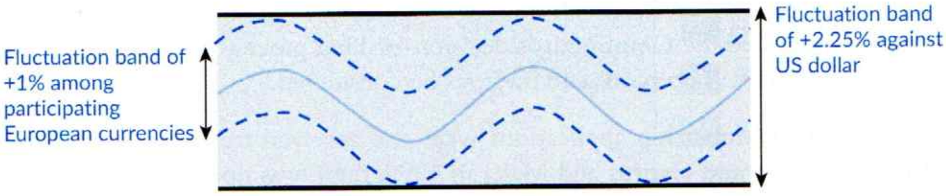
In a frantic attempt to achieve exchange rate stability, Community leaders agreed in February 1972 to a structure known as the 'snake in the tunnel', within which EEC member states would work to hold the value of their national

CONCEPT

Economic and monetary union

EMU was a programme agreed by the EEC in 1969 to coordinate economic policy in preparation for the switch to a single currency. It would take many years before the circumstances were considered right to move to a single currency (named the euro in 1995), and even then there were many who doubted that the steps to the conversion were adequate or that the management of the euro was as complete and as effective as it needed to be.

Figure 5.1 *The snake in the tunnel*



currencies within 2.25 per cent either way of the US dollar, and 1 per cent relative to each other (see Figure 5.1). This would, in theory, prepare the way for monetary union by 1980. The snake was launched in April 1972, with all six EEC member states participating, along with Britain, Denmark and Norway. But exchange rate volatility quickly forced Britain, Denmark and Italy out. France left in 1974, rejoined in 1975, then left again in 1976 (Eichengreen, 2007).

Meanwhile, enlargement was creating new pressures. Economic disparities among the members of the EEC grew with the accession of Britain and Ireland, an official report concluding that the differences were big enough to be an obstacle to a 'balanced expansion' in economic activity and EMU (Commission of the European Communities, 1973). With France and West Germany supporting Community spending as a means of helping Britain integrate into the Community, and the government of Prime Minister Edward Heath seeing it as a way of making EEC membership more palatable to British voters (Dinan, 2014), a decision was taken in 1973 to launch the European Regional Development Fund. This would match existing national development spending, with an emphasis on improving infrastructure and creating new jobs in industry and services.

In March 1979, the snake was replaced by a **European Monetary System (EMS)**, using an Exchange Rate Mechanism (ERM) based on the European Currency Unit (ecu). This was a unit of account whose value was determined by a basket of the EEC's national currencies, each weighted according to their relative strengths. Participants undertook to work to keep their currencies within 2.25 per cent either way of the ecu (or 6 per cent in the case of Italy). In addition to creating a zone of monetary stability, the hope was that the ecu would become the normal means of settling debts between EEC members, and that it would psychologically prepare Europeans for the idea of a single currency. Since *ecu* also happened to be the name of an ancient French coin, there was speculation that it might become the name of the new single currency.

While the Commission argued that EMU was helping encourage more economic efficiency and allowing the EEC to take a stronger role in the international economy, several member states found it difficult to control exchange rates. The problems worsened in the early 1990s with turbulence in world money markets, Germany had problems trying to adjust to its 1990 reunification (Gilbert, 2012), and Britain found the demands of staying in the ERM too much to bear. It had delayed joining until 1990, by which time inflation and interest rates were high, and its efforts to keep the pound stable were undermined by speculation on international currency markets; the investor George Soros famously made an estimated $1 billion profit by short selling (profiting from a decline in the price of assets between their sale and repurchase) his holdings of sterling. After furiously trying to prop up the pound, mainly by raising interest rates in order to encourage investors to buy sterling, Britain withdrew from the ERM on 16 September 1992, a date that came to be known as 'Black Wednesday'.

European Monetary System (EMS) An arrangement introduced in 1979 by which EEC member states linked their currencies to one another through an Exchange Rate Mechanism designed to keep exchange rates stable.

The Single European Act (1983–92)

While there had been progress during the 1960s on building the single market, many non-tariff barriers persisted, including different technical standards, quality controls, health and safety standards, and levels of indirect taxation. Travellers still had to go through customs and immigration checks at borders, and anyone planning to move permanently to another Community state still came up against efforts to protect jobs and home industries (see Gilbert, 2012, Ch. 6).

Meanwhile, European corporations were not taking full advantage of the single market, still looked outside Europe for merger and joint venture opportunities, and had lost market share to competition, first from the US and then Japan. By the early 1980s there was worried speculation about the effects of what came to be known as **Eurosclerosis** (Giersch, 1985): the role of excessive regulation and generous welfare systems in contributing to high unemployment and slow job creation in western Europe.

CONCEPT

Eurosclerosis

A term coined in 1985 to describe the inflexibility of the western European labour market, and its failure to create new jobs quickly enough to meet demand. The inflexibility of its labour market was contrasted – and continues to be contrasted even today – with the more dynamic and open market of the US.

For Jacques Delors, who took office as the new president of the Commission in January 1985, pulling the Community out of its lethargy and responding to the accelerating effects of globalization and technological change were priorities. A committee chaired by Irish politician Jim Dooge identified the need for a new focus on the single market, and an intergovernmental conference (IGC) was convened to discuss the necessary steps. A Commission White Paper – named for its primary author, internal market commissioner Lord Cockfield – was published within months, listing 282 pieces of legislation that would need to be agreed and implemented in order to remove all remaining non-tariff barriers and create a truly open market (Commission of the European Communities, 1985). The result was the signature in February 1986 of the **Single European Act (SEA)**, the first substantial expansion of Community powers since the Treaty of Rome.

Compared to later treaty changes, the SEA was not particularly controversial; it had mainly economic goals, few Europeans had yet fully grasped the implications of integration, and the treaty was not so much a new project as the relaunching of an old one. (By contrast, the 1992 Maastricht treaty would move European integration in a different direction and faced stiffer resistance; see Chapter 6.) The biggest misgivings were in Denmark, whose parliament failed to approve the draft treaty for fear of its implications for national sovereignty. When other member states refused to make changes to meet its objections, in February 1986 Denmark became the first Community state to put a treaty to a national referendum, resulting in 56.2 per cent of votes in favour, with a healthy 74 per cent turnout. In Ireland, too, there were problems, this time of a constitutional nature (see Chapter 8 for details), but the issue was resolved by a May 1987 referendum that came down heavily in favour of the SEA, clearing the way for its entry into force two months later.

The passage of the SEA was made possible by a combination of economic and political factors: member states were increasingly dependent on intra-EC trade, they were experiencing reduced growth and worsening unemployment, the European Monetary System was off the ground, and European business strongly favoured the single market. The SEA also had political support: Jacques Delors had built a strong case for the single market, and there was (for once) a congruence of opinion among the leaders of Britain, France and West Germany (Eichengreen, 2007). Even British Prime Minister Margaret Thatcher was supportive: 'At last, I felt, we were going to get the Community back on course, concentrating on

Single European Act (SEA) The first major change to the treaties, signed in 1986, with the goal of reviving plans to complete the single European market.

ensured'. As well as relaunching 'Europe' as the biggest market and trading bloc in the world, the SEA brought other changes:

- Legal status was given to meetings of the heads of government within the European Council (see Chapter 6), and to Community foreign policy coordination.
- New powers were given to the European Court of Justice, and a new Court of First Instance (since renamed the General Court) was created to help deal with the growing legal caseload.
- The European Parliament (EP) was given more power relative to the Council of Ministers through the introduction of a new cooperation procedure and a new assent procedure (see Chapter 12 for details).
- Many internal passport and customs controls were eased or lifted.
- The Community was given more responsibility over environmental policy, research and development, and regional policy.
- Banks and companies could now do business and sell their products and services throughout the Community.

New prominence was also given on the Community agenda to 'cohesion' (balanced economic and social development), and the target was set of creating a European social area in which there were equal employment opportunities and working conditions. There was to be new spending under the so-called 'structural funds' of the Community, including the European Regional Development Fund, the European Social Fund and the Cohesion Fund, and another boost for social policy came in 1989 with the Community Charter of Fundamental Social Rights of Workers (the Social Charter). This was designed to encourage free movement of workers, fair pay, better living and working conditions, freedom of association, and protection of children and adolescents (see Chapter 21).

International developments: The end of the Cold War (1989–95)

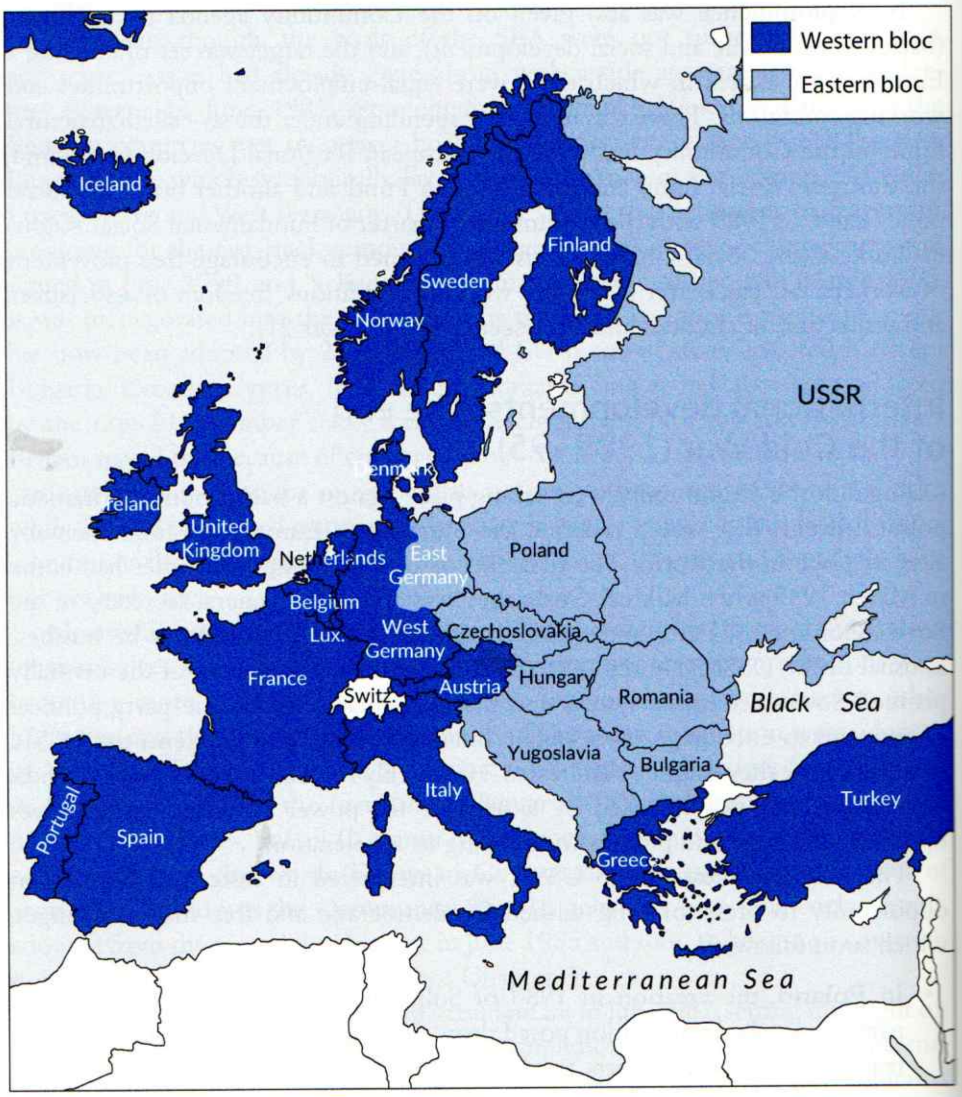
Changes in the Community were taking place against a background of dramatic political events that would redefine the meaning of Europe and fundamentally alter its place in the world. The first hint of an impending new order had come in March 1985 when Mikhail Gorbachev was appointed general secretary of the Soviet Communist Party, and quickly made clear that it would not be business as usual in the USSR. He set out to restructure the inefficiencies of the centrally planned Soviet economic system and the inadequacies of its one-party political system, and to encourage more public discussion about the problems the USSR faced and how they might be addressed. He quickly lost control of his own agenda, however, which was hijacked by a struggle for power between conservatives opposed to change and progressives seeking its acceleration.

The new openness in the USSR was interpreted in eastern Europe as an opportunity to press for long-wished-for democratic and free-market changes, which soon followed:

- In **Poland**, the creation in 1980 of Solidarity as the first non-communist party-controlled trade union posed deep challenges to the government, which reacted at first with efforts to close it down, but was eventually obliged to open negotiations. These changes paved the way for more democracy and the election of Solidarity leader Lech Walesa as president of Poland in 1990.

- In **East Germany**, rigged elections in May 1989 sparked anger, and when Hungary opened its borders with Austria in September, several thousand East Germans fled to the West via Hungary. Demonstrations broke out in October in East Berlin, and in November access was made available to West Berlin through the Berlin Wall, which began to be dismantled. In place since 1961, one of the most potent symbols of Cold War division was finally removed on 3 October 1990 with the reunification of Germany. Segments of the wall still remain, but they serve only as a tourist attraction.
- In **Czechoslovakia**, the anti-communist Velvet Revolution broke out in November 1989, leading to the end of the one-party state and the holding of democratic elections in June 1990. Economic and nationalist tensions fed into demands for a looser political association between Czechs and Slovaks, who had lived together in an uneasy arrangement since the creation of Czechoslovakia

Map 5.2 *Cold War eastern Europe*



in 1917. These demands led eventually to the 'velvet divorce', and in January 1993 the Czech Republic and Slovakia came into being as independent states.

- In **Romania**, the most authoritarian of eastern European states, Nicolae Ceausescu (in power since 1965) was re-elected as leader of the Romanian communist party in November 1989 and indicated no change in direction. Years of resentment immediately boiled over, and when the military took the side of demonstrators, Ceausescu and his wife were arrested, tried and executed.
- Democracy also came to **Albania**, **Bulgaria** and **Hungary**, and – with the dissolution of the Soviet Union on Christmas Day, 1991 – independence came to **Belarus**, **Estonia**, **Latvia**, **Lithuania**, **Moldova** and **Ukraine**.

Meanwhile, the Middle East entered the equation once again when Iraq invaded Kuwait in August 1990. The US quickly orchestrated the formation of a multinational coalition and the launching of an air war against Iraq, followed by a four-day ground war in February 1991. Meanwhile, the Community dithered in its response (see van Eekelen, 1990; Anderson, 1992). Britain fell in with the Americans and placed more than 40,000 troops under US operational command, while France committed 18,000 troops but emphasized a diplomatic resolution in order to maintain good relations with Arab oil producers and protect its weapons markets. Germany could do little, constrained as it was by a post-war tradition of pacifism and constitutional limits on the deployment of German troops outside the NATO area. Fearing retribution, Belgium refused to sell ammunition to Britain and, along with Portugal and Spain, refused to allow its naval vessels to be involved in anything more than minesweeping or enforcing the blockade of Iraq. Meanwhile, Ireland remained neutral.

A frustrated Luxembourg Foreign Minister Jacques Poos bemoaned the 'political insignificance' of the Community, which was colourfully dismissed by Belgian Foreign Minister Mark Eyskens as 'an economic giant, a political dwarf, and a military worm' (Whitney, 1991). Jacques Delors (1991) summed up the implications of the problem when he mused that while the member states had taken a firm line against Iraq on sanctions, once force entered the equation, it was

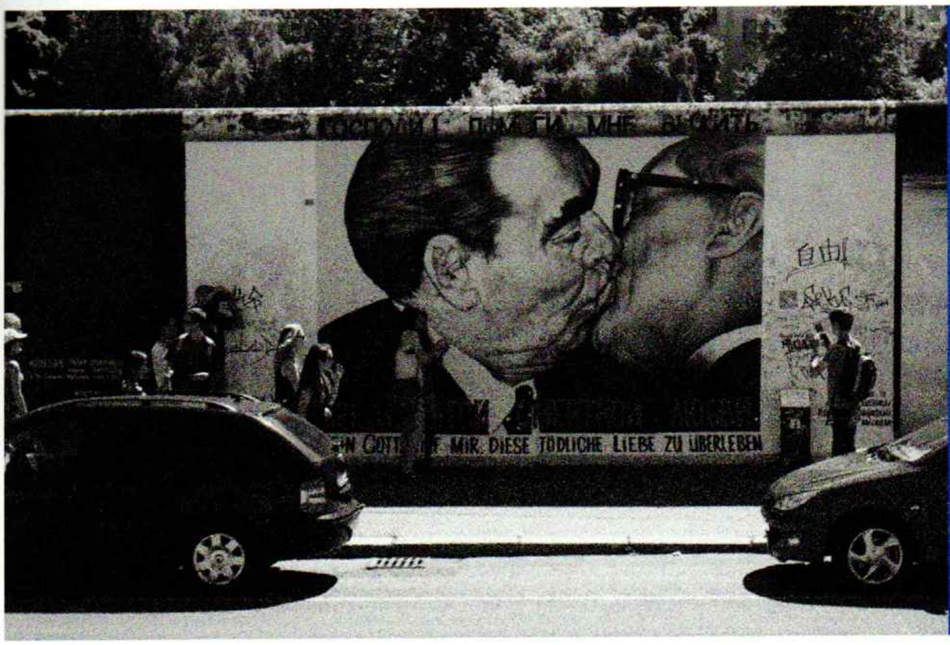


Illustration 5.2: The fall of the Berlin Wall in 1989 symbolized the end of the Cold War, but it is today little more than a tourist attraction. In this famous satirical painting, Soviet leader Leonid Brezhnev is shown kissing East German communist leader Erich Honecker.

Source: John McCormick

PROFILE

JACQUES DELORS

Source: EC- Audiovisual Service

Arguably the most influential and dynamic of all the European Commission presidents, Jacques Delors (1925–) made his mark on European integration during two terms in office (1985–95). He oversaw the negotiation and signature of the Single European Act and the Maastricht treaty, more enlargement, reforms to the Community budget, the creation of the European Economic Area, and the laying of groundwork for the later adoption of the euro, as well as witnessing the end of the Cold War and the outbreak of civil war in the Balkans. Born in Paris, he trained as an economist and worked in the banking industry before serving briefly as a Member of the European Parliament (1979–81), and as French economics and finance minister between 1981 and 1984. As president of the Commission, he was known for his ambitious plans and assertive style of management, and for capturing the headlines more than any of his predecessors. He stepped down in 1995, resisting suggestions that he run as the socialist candidate in that year's French presidential election.

its role as a huge market, with all the opportunities that would bring to our industries' (Thatcher, 1993, p. 556).

For some, though, the goals of the SEA were not sufficiently ambitious, and several states had already gone ahead with a side agreement on a border-free Europe. In June 1985, representatives of France, West Germany and the Benelux countries met on a river boat moored near the village of Schengen in Luxembourg, which symbolically lay at the confluence of the borders of France, Luxembourg and West Germany. There they signed the **Schengen Agreement** providing for the fast-track removal of border controls. A second agreement was signed in June 1990, and 'Schengenland' finally came into being in March 1995. It was incorporated into the EU treaties by the 1997 Treaty of Amsterdam, and it has now been adopted by 26 countries: all EU member states adopted it except Bulgaria, Croatia, Cyprus, Ireland and Romania, and it has also been adopted by the non-EU member states Iceland, Liechtenstein, Norway and Switzerland. Britain stayed out because of concerns about the need for its residents to carry ID cards in order to monitor movement in an area without internal border checks, while Ireland has stayed out mainly because it has a passport union with Britain. Conditions for the membership of Bulgaria, Croatia, Cyprus and Romania have not yet been met.

Schengen Agreement
A fast-track agreement to set up a border-free Europe, signed in 1985 among five Community states, which has since expanded to 26 states.

Meanwhile, ordinary Europeans were starting to feel the effects of integration for themselves. Cross-border travel was becoming easier, foreign corporations were becoming more visible as they merged with (or bought up) businesses in other EU states, and two important new symbols of European integration were adopted in 1985. The first of these was a passport with a standard design, first proposed in 1974 and issued for the first time in January 1985. Holders were still citizens of their home states, but all Community passports were now the same burgundy colour and bore the words 'European Community' alongside the state coat of arms. The second was the Community flag (12 gold stars on a blue background), adopted from the Council of Europe in June 1985 and soon to become a common sight throughout the Community (see Chapter 3).

The SEA entered into force amid great fanfare in July 1987, setting midnight on 31 December 1992 as the target date for completion of 'an area without internal frontiers in which the free movement of goods, persons, services and capital is clear that the Community had neither the institutional machinery nor the military force to allow it to act in concert.

Worse was to follow in the Balkans, where nationalist tensions had been building since the death of Yugoslavian leader Josip Broz Tito in 1980. The country began to break up in June 1991 when Slovenia and Croatia declared independence, followed in September by Macedonia. There followed a bloody melange of war, sieges, massacres, genocide and ethnic cleansing, and once again the response of the Community was indecision. When it tried to broker a peace conference, a confident Jacques Poos was moved to declare: 'This is the hour of Europe, not of the United States' (*The Economist*, 1991). When the Community recognized Croatia and Slovenia in January 1992, however, its credibility as a neutral arbiter collapsed. The EU monitors sent to Bosnia – garbed all in white and derided as 'ice-cream men' – were powerless to stop the slaughter, and it was left to the US to lead the way to the December 1995 Dayton Peace Accords. Later, when ethnic Albanians in Kosovo tried to break away from Yugoslavia in 1997–98, it was left to NATO – again under US leadership – to organize a bombing campaign against Serbia between March and June 1999. The Community was clearly failing to match its economic power with an international political presence.

Discussion questions

1. What does de Gaulle's role in the early years of the EEC say about the problems and possibilities of strong leadership in European affairs?
2. How did enlargement add to, or detract from, early efforts to integrate western Europe?
3. What were the pressures that pushed economic and monetary union up the agenda of integration?
4. How important was the Single European Act to the history of European integration?
5. What did the end of the Cold War mean for European integration?

Key terms

Empty chair crisis
European Free Trade Association
European Monetary System
Luxembourg Compromise
Schengen Agreement
Single European Act

Concepts

Economic and monetary union
Enlargement
Eurosclerosis

Further reading

- Gilbert, Mark (2016) *Cold War Europe: The Politics of a Contested Continent* (Rowman and Littlefield). An assessment of the Cold War from a European perspective, providing context for the development of the EEC.
- Howarth, David, and Tal Sadeh (eds) (2012) *The Political Economy of Europe's Incomplete Single Market* (Routledge). An edited collection of studies of the origins and effects of the European single market.
- Mourlon-Druol, Emmanuel (2012) *A Europe Made of Money: The Emergence of the European Monetary System* (Cornell University Press). A study of the early years of the EMS, emphasizing the growing importance of the European Council and the learning process that European leaders underwent.