6 FROM COMMUNITY TO UNION (1989–2005)

Preview

The ink had barely dried on the Single European Act before new initiatives on the political and monetary front encouraged Community leaders to think more deeply about political cooperation and monetary union. Three stages were agreed for the launch of a single currency by 1997, and a new Treaty on European Union (the Maastricht treaty) – focused mainly on monetary union and on foreign and security policy – transformed the European Community into the European Union.

A renewed focus on enlargement gave European Free Trade Association (EFTA) members access to the single market in 1994, followed in 1995 by the accession of Austria, Finland and Sweden. However, there was also a backlash against integration, as many Europeans began to have doubts about the decisions being taken in their name by their leaders. Even so, two more treaties – Amsterdam in 1997 and Nice in 2001 – were agreed in order to amend institutional rules and confirm new policy responsibilities.

In 1995, the single currency was named the euro, exchange rates in participating states were locked in place in 1999, and euro banknotes and coins began circulating in 2002. The smooth transition to a single currency in 12 EU member states seemed to augur well for the future of monetary union. Barely had this happened, though, when world events impinged again as several EU governments fell out with the US over the 2003 invasion of Iraq. Terrorism, a problem that was hardly new to Europeans, now became a worrying new challenge to the process of European integration.

Key points

- Deeper political cooperation among EEC members combined with new initiatives on economic and monetary union led to the signature of the 1992 Treaty on European Union (the Maastricht treaty). This confirmed plans for a single currency, and expanded the reach of integration into foreign and security policy.
- With more countries hoping for EU membership, a more formalized set of conditions was agreed, the European Economic Area was created in 1994, and 1995 saw the entry of Austria, Finland and Sweden.
- The process of integration had at first attracted little public attention, but a heated debate over Maastricht changed the nature of the debate. National governments had no choice but to pay more attention to public opinion.
- More changes to the structure and goals of the EU came with the treaties of Amsterdam and Nice, but they were focused more on consolidation than on innovation.
- More importantly, the European single currency – the euro – was launched in 1999 and replaced national currencies in 12 EU countries in early 2002.
- The 2001 terrorist attacks on the US were condemned by all EU governments, but when the US made plans to attack Iraq, a split emerged among EU leaders; public opinion in the EU was overwhelmingly opposed to the invasion.

More economic and political integration (1989–90)

In late November 1994, Norwegians went to the polls to vote in a referendum on the question of whether or not they wanted their country to join the EU. Norway had been accepted for EEC membership more than 20 years before, but in a referendum in September 1972 had become the first country to reject the offer of membership, by a margin of seven percentage points. Then, the main concerns had been loss of national sovereignty and strong anti-centralization sentiment in rural Norway. Now, it was part of a small cluster of potential new members that included its Scandinavian neighbours Finland and Sweden.

Few countries were better prepared for EU membership than Norway, which routinely topped (and continues to top) most international league tables of political stability and of economic and social success. Opponents to membership once again cited concerns over loss of sovereignty, as well as the economic differences between Norway (where natural resources such as oil and fisheries loomed large) and the more industrial economies of most other EU member states. Also, Norway was a member of the European Economic Area (see later in this chapter), giving it privileged access to the EU market. In the event, Norwegians once again turned down the prospect of membership, by a margin of just over 4 per cent, with nearly nine in every ten registered voter taking part.

Norway is something of an anomaly in the story of European integration, but its views about integration point to the importance of understanding why some countries wish to integrate, while others do not, and who – within individual countries – is more likely to be supportive and who is not. These questions will be assessed in more depth in Chapters 9 and 18, but it had already become clear by the mid-1980s that there was much ambivalence about integration, both among ordinary Europeans and among their political leaders. To a large degree, participants in the process were travelling whichever paths looked the most attractive and/or viable, rather than working off a well-developed map, a phenomenon that could be seen in particular with efforts to achieve deeper economic and political integration.

In spite of concerns about the surrender of national sovereignty, the demands of economic integration had always meant pressure for wider political coordination in the Community. The occasional summits among EEC leaders in the 1960s led to new thinking about imposing order on the process, and a 1970 report authored by Belgian diplomat Etienne Davignon identified foreign policy coordination as a potentially useful first step. The report recommended quarterly meetings of the six foreign ministers, liaison among EC ambassadors in foreign capitals, and common EC instructions on certain matters for those ambassadors.

Thus had been born **European Political Cooperation (EPC)**, a process of foreign policy coordination that encouraged new habits and focused political minds. Among its early results were a 1970 joint EC policy declaration on the Middle East, the signing of the 1975 Lomé Convention on aid to poorer countries, and joint Community responses during the 1980s to the Anglo-Argentinean war in the Falklands, developments in Poland and Iran, and apartheid in South Africa (White, 2001, Chapter 4). EPC, though, was more reactive than proactive, and a more substantial step towards political

CONCEPT

European Political Cooperation

The arrangement by which Community foreign ministers met on a regular basis with the goal of agreeing common foreign policy positions. Foreign ministers learned the value of multilateral discussions, national diplomats set up networks of communication, and EPC became what Wallace (2005, p. 435) once described as 'a working model of intergovernmental cooperation without formal integration'. While it encouraged helpful new habits, it had little impact on public opinion, and did little to bring national policies in the EEC into closer convergence.

coordination among Community leaders was taken in December 1974 with the creation of the European Council. Less an institution in the mould of the European Commission and more a forum, the Council formalized the holding of periodic summits among Community heads of government, allowing them to reach decisions on strategy without becoming bogged down in detailed administrative issues. It met for the first time in March 1975 and went on to launch some of the defining initiatives in the process of integration, as well as being the site of some of its most bitter political squabbles.

Another attempt was made to move forward in 1975 when the report of a committee headed by Belgian Prime Minister Leo Tindemans described European union as the next logical step in the journey from the EEC to an eventual European federation. It recommended some fairly radical institutional changes, including a stronger Commission and Parliament, and greater use of qualified majority voting in the Council of Ministers, and also recommended new movement on economic and monetary union (EMU), *foreign and security policy*, and social and regional policy.

EMU was given a boost in 1989–90 with a favourable alignment of circumstances. First, France, West Germany and Spain had new leaders (François Mitterrand, Helmut Kohl and Felipe González) who had won office in part on the strength of their support for integration, and the European Commission was still being run by the dynamic and ambitious Jacques Delors. Second, when the 1989 revolutions in eastern Europe helped pave the way to German reunification, France expected a reaffirmation of Germany's commitment to Europe so that German and European unification could move ahead in parallel (Dyson and Featherstone, 1999). Finally, in spite of problems with the European Monetary System, there was widening political agreement to move ahead with the single currency. Delors now headed a committee that reviewed the necessary steps, and its April 1989 report (Commission of the European Communities, 1989) suggested a three-stage process:

- Stage I, to begin by July 1990, was to be based on free use of the European currency unit, increased cooperation between central banks, and free capital movement.
- Stage II would involve new independence for national central banks, increased coordination of monetary policies, and the establishment of a European Monetary Institute as a precursor to a European central bank.
- Stage III, to be achieved by January 1997, would involve a single monetary policy under the control of the European System of Central Banks, the introduction of the single currency, and the permanent fixing of exchange rates.

Intergovernmental conference (IGC) A conference convened among representatives of the governments of the EU member states to discuss and agree amendments to the treaties.

Most Community leaders were supportive, so the June 1990 European Council decided to open a new **intergovernmental conference (IGC)** on economic and monetary union, and later a second IGC to discuss political union. This latter notion was less than it sounded: it involved not so much the laying of foundations for a federal Europe as the transfer of more policy responsibilities to the European level, giving more powers to the Commission and Parliament, and extending the use of qualified majority voting in the Council of Ministers (Dinan, 2004).

FOCUS 2

Intergovernmental conferences

The meetings at which leaders of the member states sign new treaties attract considerable media attention, but they are only the final and usually brief step in a process that may have taken several years and involved intensive negotiations among national government ministers and permanent representatives of the member states. These representatives meet at intergovernmental conferences (IGCs), which take place outside the decision-making framework of the EU, and may last days, weeks or even months. (For a detailed analysis of the dynamics of IGCs, see Christiansen and Reh, 2009, Chapters 6–8.) Their use emphasizes the extent to which decision-making on the major initiatives of the EU still rests with the member states.

Depending on how they are defined, there have been as many as a dozen IGCs since 1950:

- The first (1950–51), chaired by Jean Monnet, discussed plans for the European Coal and Steel Community and resulted in the Treaty of Paris.
- The second (1955–56) resulted in the two Treaties of Rome.
- Several more in the 1960s and 1970s dealt with more limited issues: a one-day IGC in April 1965 led to the Merger treaty, another in 1970 discussed budgetary issues, and another in 1975 discussed the terms of the European Investment Bank.
- The third major IGC (1985–86) developed the framework for the Single European Act.
- Two more IGCs (1991) separately discussed political and monetary union, resulting in the signature in 1992 of the Treaty on European Union.
- IGCs in 1996, 1997 and 2000 focused on institutional reform and preparations for eastward enlargement, drafting the treaties of Amsterdam and Nice (see later in this chapter).
- Undoubtedly the grandest of all IGCs was the Convention on the Future of Europe, which met in 2002–03 to draft the constitutional treaty.
- A 2007 IGC drafted the Treaty of Lisbon, which was signed in December 2007.

The IGC landscape has been relatively quiet in recent years thanks to the diversions provided by various crises (see Chapter 7), and the absence of much political or public support for more treaty changes.

The spotlight shifts to Maastricht (1990–93)

Negotiations in 1990–91 resulted in the **Treaty on European Union**, signed in February 1992 in Maastricht in the Netherlands. The original draft had included mention of a 'federal goal' for Europe, but this was firmly opposed by Britain, so the wording reverted to that found in the preamble to the Treaty of Rome, which spoke of 'an ever closer union' among the peoples of Europe. A cumbersome agreement was also reached by which a new European Union would be created, resting on three organizational 'pillars': the renamed European Community, foreign and security policy, and justice and home affairs (see Chapter 8 for details). There was also agreement to begin work on a new Common Foreign and Security Policy (CFSP), confirmation of the three-stage plan to monetary union, and several other changes:

- New powers were given to the European Parliament relative to the Council of Ministers, and a new Committee of the Regions was created to represent local interests.
- The EU was given new responsibility in policy areas such as consumer protection, industrial policy, education and social policy, and there was to be more cooperation on immigration and asylum, including the creation of a European police intelligence agency (Europol) to combat organized crime and drug trafficking.

Treaty on European Union A treaty signed in February 1992, which came into force in November 1993, creating the European Union and outlining a commitment to a single European currency and a common foreign policy.

Illustration 6.1: The signing ceremony for the Treaty on European Union, held in Maastricht on 7 February 1992. Mixed opinions about the wisdom of the treaty were to change the direction of the debate over European integration.

Source: EC - Audiovisual Service

- More regional funds would be set aside for poorer member states.
- There were new rights for European citizens and the creation of an ambiguous EU 'citizenship' allowing citizens of EU states to live wherever they liked in the EU and to stand and vote in local and European elections.

Where the Single European Act had been approved without much debate, the Maastricht treaty represented a significant change of direction, was more political in its intent, and so was always going to be more controversial. Denmark once again opted to seek domestic approval through a national referendum, and in June 1992 sent shockwaves through the Community by becoming the first member state ever to reject a European treaty in a referendum (albeit by the narrow margin of just 50,000 votes; 50.7 per cent of voters were opposed, with 83 per cent turnout). There was also a debate about the treaty in Ireland, where, after agreement of a protocol guaranteeing that the Irish ban on abortion would not be affected, Maastricht was passed with a majority of nearly 69 per cent in favour in a June 1992 referendum. This was followed by a *petit oui* (literally, 'small yes') in France in September, when Maastricht was approved by just 51.04 per cent of voters, with 70 per cent turnout – an outcome explained, at least in part, by the declining popularity of French President François Mitterrand (Criddle, 1993).

Once the dust had settled, a compromise was arranged by which Denmark was given opt-outs from the clauses dealing with the single currency, defence, citizenship, and justice and home affairs. A second Danish referendum was then held in May 1993, in which the treaty was approved by 56.8 per cent of voters. With all other member states also on board, the Maastricht treaty entered into force in November 1993, nearly a year late. Although this project was now wrapped up, there were already emerging signs of public resistance to European integration. The Danish and French referendum results can be seen, in retrospect, as the first significant warning shots across the bows of political leadership on the EU. Maastricht was the last major effort to build on integration that took place against the background of relatively complacent and unengaged public opinion.

TIMELINE

From Community to Union (1989–2005)

1989	April	Announcement of Delors' three-stage plan to monetary union
1992	February	Signature of Treaty on European Union
	June	Danish referendum rejects Maastricht
1993	January	Single European market enters into force; break-up of Czechoslovakia
	May	Second Danish referendum on Maastricht
	June	Agreement of Copenhagen conditions
	November	Treaty on European Union enters into force
1994	January	Creation of European Economic Area
1995	January	Austria, Finland and Sweden join the EU, taking membership to 15
	December	European single currency is named the euro
1997	October	Signature of Treaty of Amsterdam
1998	June	Creation of European Central Bank
1999	January	Launch of the euro
	May	Treaty of Amsterdam enters into force
2000	March	Agreement of the Lisbon Strategy
	December	Proclamation of Charter of Fundamental Rights of the EU
2001	February	Signature of Treaty of Nice
	June	Irish referendum rejects Nice
	September	Terrorist attacks in the US
2002	January	Euro coins and banknotes begin circulating
	March	First meeting of the Convention on the Future of Europe
	October	Second Irish referendum accepts Nice
2003	February	Treaty of Nice enters into force; large anti-war demonstrations in major European cities
	March	Launch of US-led invasion of Iraq
2004	March	Terrorist bombings in Madrid
	October	Signature of Treaty on the European Constitution
2005	May–June	French and Dutch voters reject the constitutional treaty
	July	Terrorist bombings in London

More enlargement (1990–95)

As noted in Chapter 5, the doubling of Community membership between 1973 and 1986 had brought key changes to the relationships among the member states, to the institutional character and policy agenda of the Community, and to its international role and standing. Enlargement had been a piecemeal affair, however, lacking either a grand plan or specific rules on the credentials that states should have in order to qualify for membership. There was an understanding that they should be European (so there was little question about rejecting an application from Morocco in 1987),

mbiguous
y liked in

h debate,
was more
Denmark
dum, and
the first
it by the
, with 83
here, after
ould not
in favour
nall yes')
r cent of
t, by the
993).
Denmark
defence,
was then
f voters.
red into
was now
uropean
rospect,
on the
ok place
inion.

European Economic Area (EEA) An agreement under which EFTA member states were given access to the single European market without full EU

but beyond that the rules were vague. By the early 1990s the need for clarity was pressing for attention, because applications for membership had been lodged by Austria, Cyprus, Finland, Malta, Norway, Sweden, Switzerland and Turkey, and the end of the Cold War had raised the prospect of enlargement to the east.

By way of preparation (or, in the view of Dinan (2004), to fob off the new aspirant members), negotiations began in 1990 on the creation of a **European Economic Area (EEA)**, under which the terms of the SEA would be extended to the seven members of the European Free Trade Association (EFTA: Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland). They, in return, would accept the rules of the single market. Negotiations were completed in February 1992, but the Swiss turned down membership in a December 1992 referendum, so only six EFTA states joined when the EEA came into force in January 1994. Even as the EEA was being negotiated, however, agreement was reached to open talks on Community membership for Austria, Finland, Norway and Sweden, and in June 1993 the first set of formal requirements for EU membership

Map 6.1 *The third enlargement, 1995*

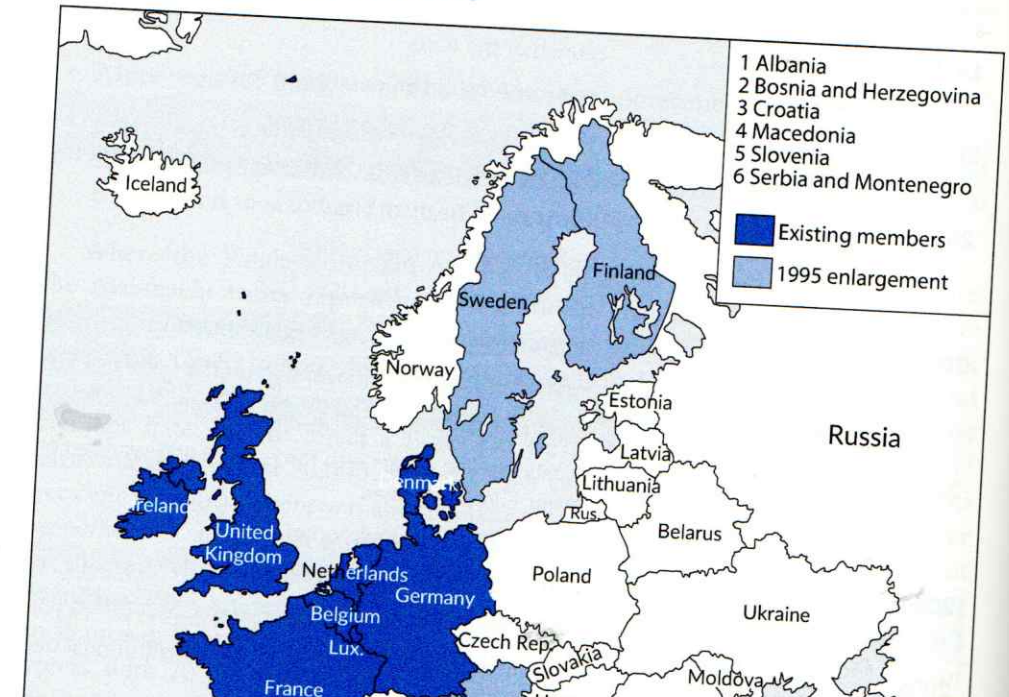
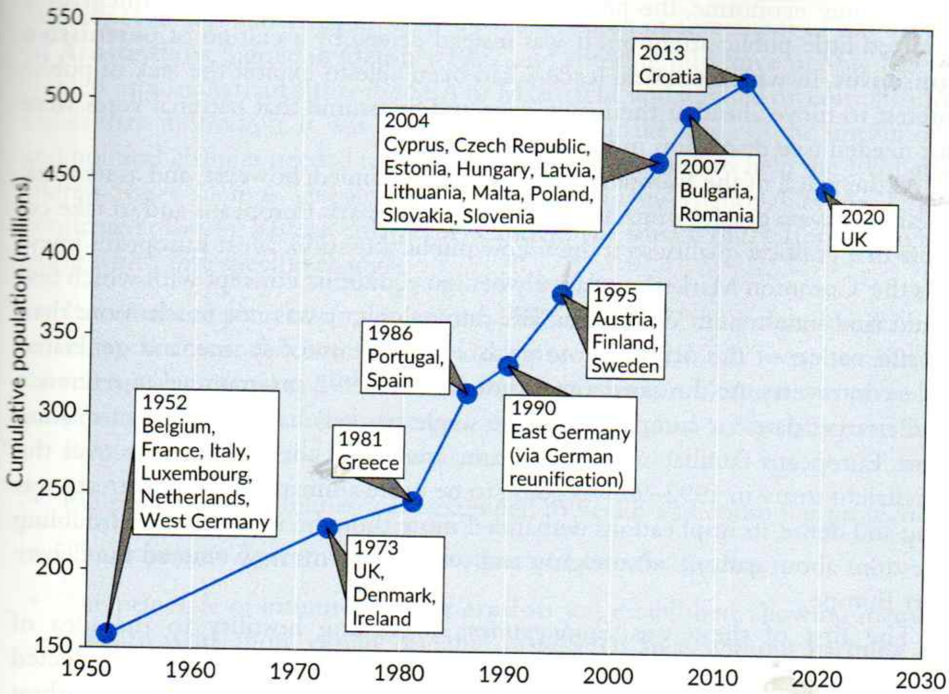


Figure 6.1 *Growth of the European Union*



was agreed at the Copenhagen European Council. Henceforth, the 'Copenhagen conditions' would require that applicant states should be democratic, should have functioning free markets, and should be able to take on the obligations of the ***acquis communautaire*** – the body of laws and regulations already adopted by the EU (see Chapter 9 for more details).

With membership terms agreed in March 1994, referendums were held in Austria, Finland, Norway and Sweden, and majorities came down in favour in all but Norway. Austria, Finland and Sweden joined the EU in January 1995, pushing membership to 15, increasing the land area of the EU by one-third, and for the first time giving it a border with Russia. Although there was to be a break of nine years before the next round of enlargement, the wheels had already been set in motion with the 1990 applications from Cyprus and Malta, followed in 1994 by those from Poland and Hungary, and in 1995–96 by those from Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania and Slovenia. A taste of the implications of eastern enlargement had been offered by German reunification in October 1990; although this was the result of a domestic German decision (and not one that was entirely popular in other Community states), it gave some insight into the problems and promises involved in trying to integrate communist states into the capitalist EU.

> **CONCEPT**
>
> ***Acquis communautaire***
>
> The body of treaties, laws and regulations adopted by the EU. Derived from the French *acquis* (meaning *accepted* or *acquired*) and *communautaire* (of the community), the term is most often used in the context of the obligations of aspirant new members of the EU. Negotiations on membership split the *acquis* into multiple chapters that are used as the basis of discussions, and new members must agree to transpose the *acquis* into national law and implement it upon accession.

The backlash against Europe

In its early years, the speed and content of integration was set by bureaucrats and government ministers meeting in closed session, emerging with agreements that were barely tested in the court of public opinion. These agreements were not reached easily, and often saw governments fighting to protect state interests, leaders

> **CONCEPT**
>
> **Permissive consensus**
>
> This refers to the idea that political elites could pursue their own plans for European integration, given the widespread lack of public interest in what they were doing. How far this has been a problem depends on whether we think of the EU as an international organization or as a proto-state, on how confident we are about the extent to which elected leaders take account of public opinion, and how much faith we have in the European public to make informed decisions about the process of integration (see discussion in Chapter 18 about the knowledge deficit).

imposing on their peers their personal views about the process of integration, and bitter struggles to move the debate in new directions. The issues at stake were mainly economic, the process was elitist and technocratic, and integration attracted little public attention. It was instead driven by a culture of **permissive consensus**, in which political leaders had been able to exploit the lack of public interest to move ahead at their own pace and to assume that national votes were not needed (see discussion in Carubba, 2001).

As the reach of the European Community expanded, however, and as its work began to have a greater impact on the lives of ordinary Europeans and to take on more of a political quality, so it drew new public attention. Most Europeans knew it as the 'Common Market', a relatively benign economic concept with which few could find much fault. When the SEA came along, it was not much more than an affirmation of the original core goals of the Treaty of Rome, and generated little controversy. At the same time, though, the '1992 programme' (a reference to the target date for completion of the single market) had the effect of making more Europeans familiar with integration. Inevitably, then, the debate over the Maastricht treaty in 1992–93 was going to be more animated. The new treaty was long and dense, its implications demanded more thought, it raised more troubling questions about national sovereignty, and two new terms now entered the debate over Europe.

The first of these was *Euroscepticism*, suggesting hostility to the idea of integration. Although it came in different shades (see Chapter 18), it reflected growing doubts about the direction being taken by Europe. One of the earliest hints of such doubts had come in 1972 with the Norwegian vote against membership of the EEC. More doubts had surfaced in 1986 when Denmark became the first country to put a European treaty (the SEA) to a national referendum. Six years later, far greater public attention was generated by the June 1992 Danish rejection of the Maastricht treaty, the near miss in France three months later, and the rejection by the Swiss in December of membership of the European Economic Area.

The second new term was *democratic deficit*, referring to the gap between the authority of EU institutions and the ability of EU citizens to impact their work (see Chapter 19). Ironically, the concerns over this deficit grew even as European public opinion played a greater role in the decisions over Europe. Most importantly, EU voters had been given the opportunity since 1979 to take part in direct elections to the European Parliament, and Parliament's powers over the legislative process had grown. Even so, most voters still understood little of the manner in which decisions were taken at the Community level, and they turned out at EP elections in declining numbers: from a high of 63 per cent at the first elections in 1979, turnout by 1999 was down to 49 per cent.

The three 1992 votes were symptomatic of an increasingly heated public debate about the merits of integration, which showed that even though many Europeans were still confused about its implications, and so were more easily swayed in their opinions by supporters and critics of integration, they cared much more than they had even a decade before. Where decisions about Europe in the 1950s and 1960s could be taken by bureaucrats meeting in closed session, by the 1990s this was no longer possible, and the dynamics of the debate over Europe had taken on an entirely new character.

From Amsterdam to Nice (1996–2003)

Because the Maastricht treaty had left a number of items of business unfinished, another IGC was convened in 1996–97 that resulted in agreement of the **Treaty of Amsterdam**. Signed in October 1997, and entering into force in May 1999, it was less important than either the SEA or Maastricht, and focused on consolidation rather than innovation. It was designed mainly to make some of the institutional and political changes needed to deal with enlargement, and to help the EU better address issues such as globalization, terrorism and international crime. It also confirmed plans for eastern enlargement and for the launch of the single currency, along with more specific changes:

- It formalized plans to implement a CFSP along with 'the progressive framing of a common defence policy'. Decisions on the CFSP were to remain intergovernmental and unanimous, but the European Council was given the power to agree common strategies and positions, and a new office of High Representative for the CFSP was created.
- EU policy responsibilities were extended to health and consumer protection.
- The Schengen Agreement was incorporated into the treaties.
- The principle of **enhanced cooperation** was established, allowing member states to work more closely together in selected areas without harming the overall process of integration.
- The powers of the European Parliament were expanded, and it was given the power of approval over appointments to the College of Commissioners.

CONCEPT

Enhanced cooperation

A procedure allowing those member states that wish to proceed more rapidly in a particular policy area to do so within the EU legal framework, but without extending the powers agreed under the treaties. Otherwise known as 'multi-speed integration', or 'Europe à la carte', enhanced cooperation represents the failure of the EU partners to agree, but also prevents foot-draggers from placing a brake on the process. Examples of enhanced cooperation include the Schengen Agreement on open borders and the decision of some EU states to adopt the euro while others have not.

The Treaty of Amsterdam fell short of requirements, so yet another IGC was convened to look at institutional change in anticipation of enlargement. 'Rarely', concludes Dinan (2014, p. 290), 'did an intergovernmental conference devote so much time to so few issues with so few consequential results.' Many items of business were left for discussion at the European Council meeting in Nice, France, in December 2000, and even then the resulting **Treaty of Nice** did little more than make minor changes to the structure of the Commission, the terms of qualified majority voting in the Council of Ministers, the EP, and the court system. The treaty was duly signed in February 2001 with the expectation that it would be quickly ratified by member states.

Another referendum surprise came in June, this time in Ireland, which until then had a reputation as a relatively contented member of the EU. A surfeit of confidence had led the Irish government to make little effort to educate voters on Nice, creating an information breach into which stepped an unlikely coalition of environmentalists, religious conservatives and those concerned with preserving Ireland's neutrality (Costello, 2005). On referendum day, barely one-third of voters turned out, and 54 per cent of those rejected the treaty. EU leaders refused to renegotiate the terms of the treaty, but the European Council did confirm that Ireland would not have to be party to any mutual defence obligations. A second Irish referendum was held in October 2002, this time prefaced by a spirited information campaign and more active debate of the issues. The new vote resulted in nearly 63 per cent approval with a 50 per cent turnout, and the Treaty of Nice finally entered into force in February 2003.

Treaty of Amsterdam A set of relatively limited changes to the treaties, signed in 1997 and entered into force in 1999.

Treaty of Nice Another set of relatively limited changes to the treaties, signed in 2001 and entered into force – after unexpected delays – in 2003.

While public attention was focused on Amsterdam and Nice, another initiative with important implications for the political lives of Europeans was completed with less fanfare in the form of the Charter of Fundamental Rights of the European

Lisbon Strategy An attempt made in 2000 to set economic modernization targets for the EU, with the goal of making it the world's most dynamic marketplace within ten years.

Convergence criteria Standards that EU member states must achieve before being allowed to adopt the euro, including low national budget deficits and inflation, and controls on public debt and interest rates.

Union. Sparked by a 1996 decision by the European Court of Justice that its treaties did not allow the EU to accede to the 1950 European Convention on Human Rights, the charter was discussed and approved during 2000, and 'proclaimed' at the Nice European Council in December. Reaffirming a selection of rights with which few Europeans could take much issue, the charter came into force with the Treaty of Lisbon in 2009 (see Chapter 7), since when it has been part of the legal structure of the EU.

Meanwhile, there were new initiatives on the economic front. In spite of progress on the single market and preparations for the single currency, many were still concerned that the EU was not fulfilling its potential as the largest marketplace in the world. Planners worried about lagging productivity rates, high unemployment in parts of the EU, an inflexible labour market, and continued economic disparities among member states. In order to set new targets, the Lisbon European Council in March 2000 agreed the **Lisbon Strategy**, which set the ambitious goal of making the EU – within ten years – 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment'. To do this, employment rates would be raised, more women would be brought into the workplace, telecommunications and energy markets would be liberalized, transport would be improved, and labour markets opened up. Sceptics doubted that all of this was possible, though, and were to be proved correct.

Arrival of the euro (1995–2002)

As we saw earlier, Maastricht had outlined a three-stage plan for the achievement of the single currency: Stage I (new levels of cooperation among banks) had been in place since 1990, and Stage II had been launched in January 1994. This led to the establishment of the European Monetary Institute, designed to oversee preparations for Stage III, the creation of a European single currency, which in 1995 was named the euro. Maastricht had set five **convergence criteria** that a state would have to meet in order to qualify to adopt the new currency (see Table 6.1).

Because several states had trouble achieving the criteria, the target date for Stage III was postponed from January 1997 to January 1999. When EU leaders met in 1998 to decide which states qualified to make the switch, they found varied levels of readiness; all had met the budget deficit goal, for example, but only seven had met the debt target. Since Maastricht allowed member states to qualify if their debt-to-GDP ratio was 'sufficiently diminishing and approaching the reference value at a satisfactory pace', strict adherence to the criteria was set aside, immediately raising questions about how seriously they were being taken. The decision to bring Greece into the euro zone, in particular, would later come home to roost with a vengeance.

Table 6.1 *The convergence criteria*

Budget deficit	Less than 3 per cent of GDP
Public debt	Less than 60 per cent of GDP
Inflation	Within 1.5 per cent of the average in the three countries with the lowest rates
Interest rates	Within 2 per cent of the average in the three countries with the lowest rates
Exchange rates	Kept within Exchange Rate Mechanism fluctuation margins for two years

Illustration 6.2: Commission President Jacques Santer (right) and economics and financial affairs commissioner Yves-Thibault de Silguy pose with a reproduction of the new 1 euro coin, May 1998.

Source: EC - Audiovisual Service

In June 1998 the new European Central Bank (ECB) replaced the European Monetary Institute and became responsible for monetary policy in the new euro zone. On 1 January 1999 the euro was launched, becoming available as an electronic currency (but not yet a physical currency) and participating countries permanently fixed the exchange rates of their national currencies against one another and against the euro. All dealings of the ECB with commercial banks and all its foreign exchange activities were now transacted in euros, which began to be quoted against the yen and the US dollar in international financial markets. The euro started out at a healthy \$1.18, fell to a low of 82 cents in late 2000 (sparking claims of crisis), climbed back up to reach parity in mid-2002, and was to reach a high of nearly \$1.60 in mid-2008 before falling again (see Chapter 21).

Discussion about the design of the new euro banknotes and coins had been resolved fairly easily. In the case of the banknotes, it was felt that the designs could not be tied to any one country but instead had to capture general European themes, so it was decided to use designs based on styles of European architecture. Sophisticated anti-counterfeiting measures were also built into the designs, including raised print, security threads and holograms. As for the coins, one side had a common design including a map of Europe (without Turkey, it is interesting to note), while the other had designs peculiar to the participating states: Belgium, Luxembourg, the Netherlands and Spain chose images of their monarchs, Ireland opted for the Celtic harp, France included images of Marianne (a mythical icon of liberty), and Germany used oak twigs, the Brandenburg Gate and the German eagle.

Even as governments and bankers made their preparations, however, ordinary Europeans had doubts about the euro. Opinion polls found support between 1993 and 1996 running at about 51–54 per cent, with 36–37 per cent opposed (European Commission, 1998). Opposition in 1998 was greatest in Denmark, Sweden and Britain, but even among member states planning to adopt the euro there were mixed opinions; enthusiasm was highest in Ireland, Luxembourg, the Netherlands and Spain, and lowest in Finland, Germany and Portugal. The German figure was particularly worrying, given that Germany was critical to the exercise of monetary union: in the end, suggests Tsoukalis (2003), most Germans ultimately signed on only because they saw a need to reaffirm their commitment to Europe in the wake of German reunification.

In January 2002 euro coins and notes began circulating in all EU15 member states except Britain, Denmark and Sweden. This final launch of the physical euro was a monumental task, involving the challenge of preparing consumers and businesses, making sure that enough coins and notes were available to meet demand (14 billion banknotes were printed and 56 billion coins minted), and converting ATMs, cash registers and vending machines throughout the euro zone. It had been assumed that the transition would be expensive and complicated, so national currencies were to be allowed to circulate alongside the euro for six months. But the problems proved unfounded; within a month, euros accounted for 95 per cent of cash payments in the euro zone, and the transition was over by the end of February. For the first time since the Roman era much of Europe had a single currency.

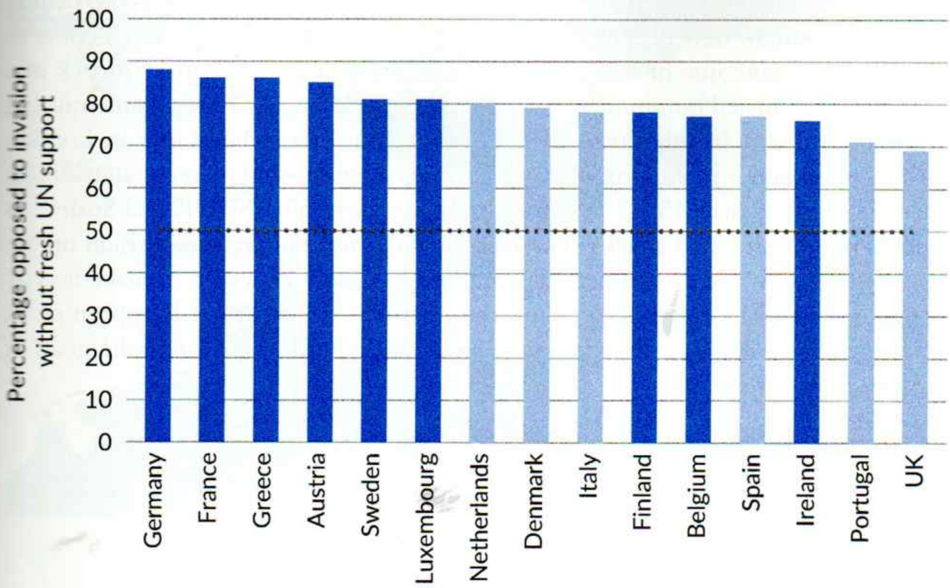
Shockwaves from Iraq (2003–07)

The United States has always played a critical role in the process of European integration, both intentionally and unintentionally. Intentionally, it provided the political and economic support needed to help get the process off the ground in the late 1940s and early 1950s, it provided security guarantees through NATO, and economic leadership and opportunity through the Bretton Woods system and the Marshall Plan. Unintentionally, it helped bring western Europeans together by pursuing policies during the Cold War that alarmed and repelled. Starting with Korea, and moving through Suez, the Cuban missile crisis, Vietnam, the Middle East, Central America and beyond, western Europeans regularly found themselves looking askance at US policy. While public opinion was often openly hostile, governments rarely made their disquiet public. All now changed with the controversy over Iraq, which not only brought transatlantic political tensions into the open, but also showed that the EU member states had much work to do in developing common foreign policies.

The September 2001 terrorist attacks on New York and Washington DC at first generated an unprecedented degree of transatlantic solidarity, suggesting that international terrorism might be a new challenge around which a new Atlantic Alliance might be forged. More than 120 Europeans died in the twin towers, the EU was quick to express its moral outrage, its foreign ministers described the attack as an assault 'against humanity itself', and the French newspaper *Le Monde* famously declared '*Nous sommes tous Americains*' (We are all Americans). EU leaders were also generally in support of the US case for quick action to be taken against the Taliban in Afghanistan, a haven for terrorists. All changed, though, when the administration of George W. Bush began preparing for a pre-emptive invasion of Iraq, claiming that its leader Saddam Hussein possessed weapons of mass destruction and thus posed a threat to neighbouring states and US interests.

In notable contrast with earlier such international crises, where EU leaders would have chosen among open support, qualified support or diplomatic silence, several were now openly critical of US policy. Supporters included the governments of Britain, Denmark, Italy, the Netherlands, Spain and many of those in eastern Europe, while the opposition – which included Austria, Belgium and Greece – was led vocally and openly by President Jacques Chirac of France and Chancellor Gerhard Schroeder of Germany.

Figure 6.2 *What Europeans think: The invasion of Iraq, 2003*



Note: Light blue bars indicate governments that supported the invasion. Support also came from the governments of all eight prospective eastern European member states of the EU: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.

Source: *EOS-Gallup Europe Survey, 2003.*

Largely overlooked in the mix was the deep and near uniform public hostility to the invasion across the EU. This was reflected in opinion polls that found majorities of between 70 and 90 per cent opposed in Britain, Denmark, France, Germany, and even in 'new' European countries such as the Czech Republic and Hungary (see Figure 6.2). It was also reflected in the massive and coordinated anti-war demonstrations held in EU capitals on 15 February 2003, and in the unpopularity of several pro-war European governments. Among those most immediately impacted was Spain, where the ruling conservative government of José Maria Aznar, which had supported the war, suffered an unexpected loss in a general election in April 2004. Meanwhile, Tony Blair was never able to recover politically from the domestic unpopularity of his decision to support the invasion, and struggled on in office until stepping down in June 2007.

The public hostility was more than just a dispute over Iraq, or even an EU response to George W. Bush, until then among the most reviled (in Europe) of all US presidents. Instead, the breach over the invasion could be seen as symptomatic of the new willingness of the EU to assert itself in its relations with the US. The transatlantic relationship since 1945 had always been more nervous than many had realized, but while western European governments had occasionally resisted American leadership and criticized US policy, the split was now in the open. The end of the Cold War had removed much of the glue that had kept the Americans and the western Europeans on the same page, and the division over Iraq showed how much post-war Europe had changed, and how much it now sought to express its independence.

The dispute over Iraq also ushered in a new chapter in the story of a problem that was hardly new to Europe: terrorism. As we will see in Chapter 25, Britain had long suffered the effects of terrorism tied to Northern Ireland, Spain had similar problems tied to Basque separatism, and both West Germany and Italy had seen kidnaps and killings perpetrated by movements critical of capitalism. Now, Islamic militancy brought new, deeper and wider threats to western Europe. In an effort to influence the outcome of the 2004 general election in Spain, terrorists struck in a series of coordinated bombings in Madrid in March, killing 193 people and injuring more than 2,000. In July 2005, another set of coordinated bombings in London took 52 lives and injured more than 700 people. There would be more attacks later – notably several in 2015–17 in France, Belgium, Germany, the UK and Spain – as well as numerous foiled attacks. The effect was to push public security high up the agenda of policy in the member states and the EU more generally, to make heavily armed police and soldiers a more common sight on the streets of European cities, to bring core changes in foreign and security policy, and to challenge the goals of European integration.

Discussion questions

1. It took the best part of 20 years for Community leaders to better coordinate the direction being taken by European integration. Could they or should they have done this earlier?
2. Why was the Maastricht treaty more controversial than the Single European Act, and why was it so central to the backlash against integration?
3. Were the concerns of the earliest Eurosceptics understandable and reasonable?
4. Should EU leaders have waited longer before introducing the euro?
5. Given the history of post-war transatlantic relations, what was the significance of the dispute over Iraq?

Key terms

Convergence criteria
European Economic Area
Intergovernmental conference
Lisbon Strategy
Treaty of Amsterdam
Treaty of Nice
Treaty on European Union

Concepts

Acquis communautaire
Enhanced cooperation
European Political Cooperation
Permissive consensus

Further reading

- Christiansen, Thomas, and Simon Duke (eds) (2015) *The Maastricht Treaty: Second Thoughts after 20 Years* (Routledge). Edited collection that looks at the changes brought by the Maastricht treaty and their long-term effects.
- Crum, Ben (2012) *Learning from the EU Constitutional Treaty* (Routledge). An analysis of the importance of the principle of the consent of the people, using the EU constitutional treaty as a foundation.
- Stubb, Alexander (2002) *Negotiating Flexibility in the European Union: Amsterdam, Nice and Beyond* (Palgrave). An assessment of the discussion behind the treaties of Amsterdam and Nice, offering useful insight into the way that EU leaders and institutions once negotiated.