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.

Source: European Parliament

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.

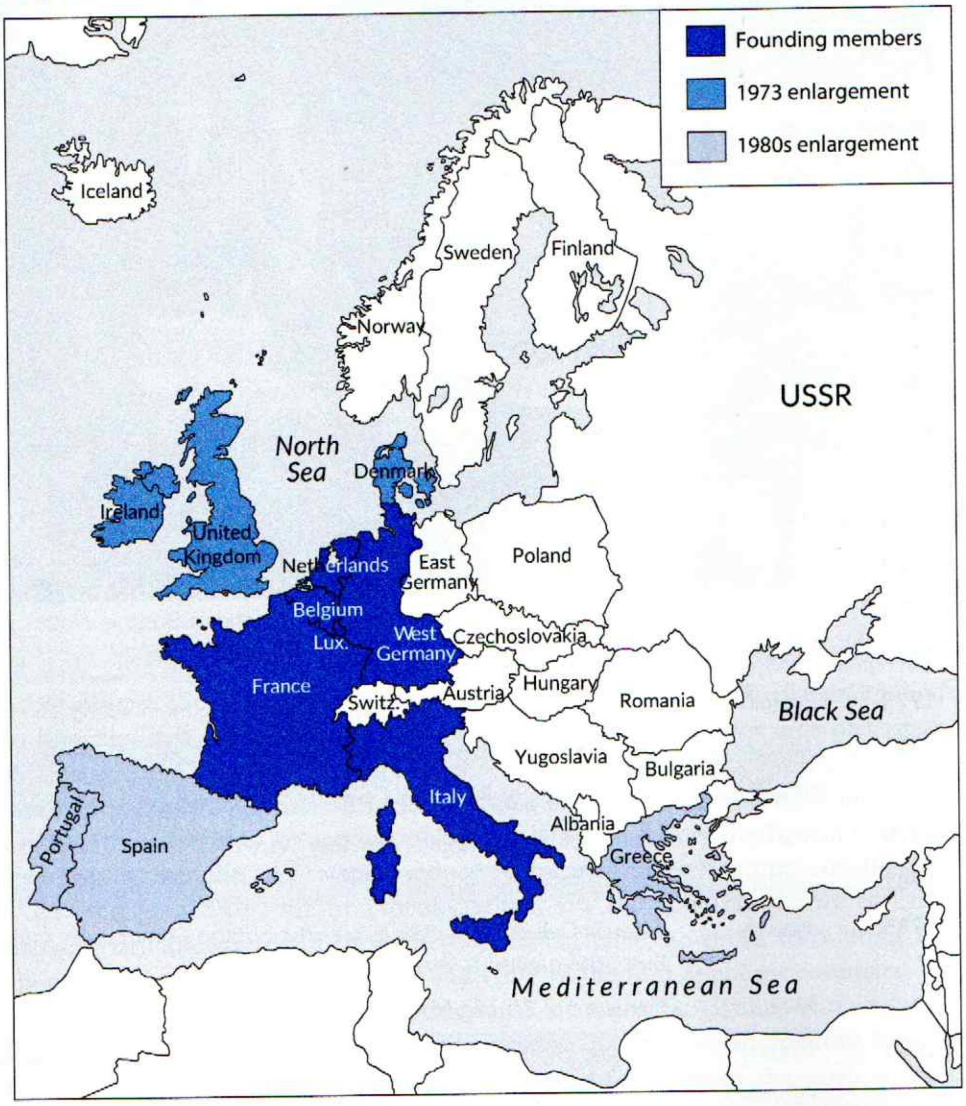
TIMELINE

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.

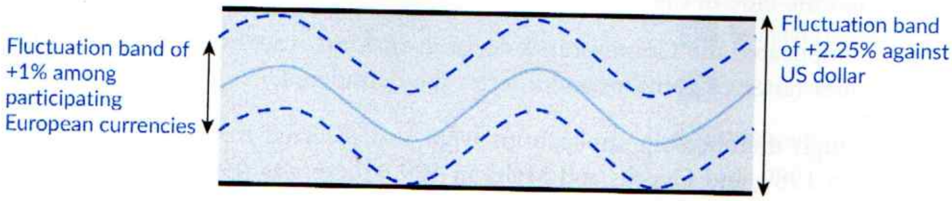
In a frantic attempt to achieve exchange rate stability, Community leaders agreed in February 1972 to a structure known as the 'snake in the tunnel', within which EEC member states would work to hold the value of their national

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.

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

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.

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.

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.

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).

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.

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 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)

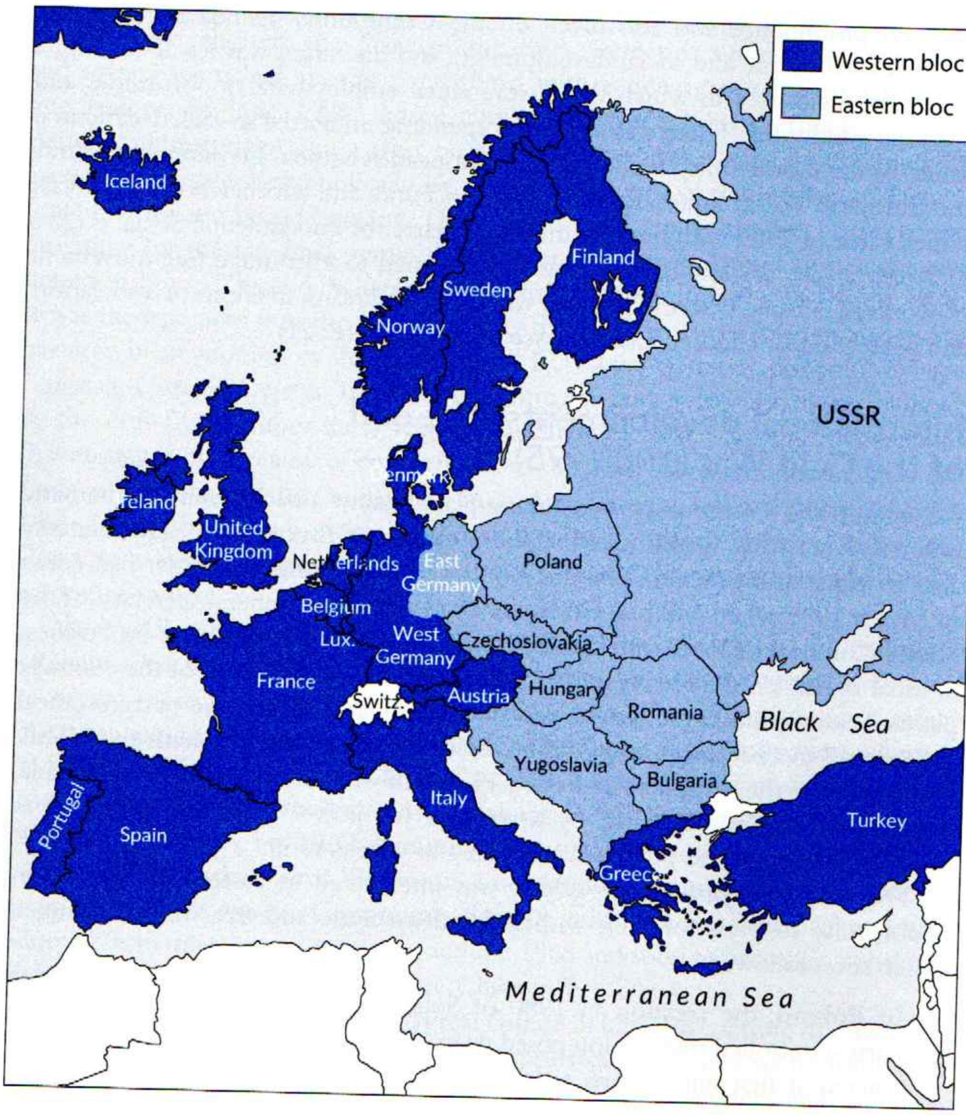
Changes in the Community were taking place against a background of dramatic political events that would redefine the meaning of Europe and fundamentally alter its place in the world. The first hint of an impending new order had come in March 1985 when Mikhail Gorbachev was appointed general secretary 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

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.