The Politics of the European Union

Second Edition

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1 The historical development of the EU

▨ Introduction

To most European citizens the Ninth of May will be a day just like any other. In Brussels, Luxembourg and Strasbourg, however, this is different. In these cities a sizeable number of people work for one of the institutions and organizations of the European Union (EU). If we follow the official historiography of the EU, their jobs found their origin in a press conference held sixty-five years ago by the French Minister of Foreign Affairs, Robert Schuman. On 9 May 1950 he proposed a plan that laid the foundation for today's European Union by proposing to set up a European Coal and Steel Community (ECSC).

In 1985 the leaders of the member states of the EU decided that it would be good to celebrate this day as Europe Day. But most citizens will not notice this. Maybe this is not surprising given the fact that the day marks a rather obscure event in history. After all, commemorating a press conference is quite different from celebrating a rebellion (like the USA's Fourth of July) or a revolution (such as France's Quatorze Juillet).

Despite its humble origins, the EU has in the meantime developed into a political system that seriously impacts the lives of these same citizens. Within a timespan of only sixty years it has established itself as a unique form of political cooperation comprising twenty-eight member states and 500 million inhabitants, with a combined income that is the world's largest. No wonder

some observers have characterized the EU as a superpower, albeit a soft one: instead of conquering new territory by force as the old superpowers used to do, the EU has been able to expand because countries have been very eager to join and share in the assumed benefits of membership.

In this book we outline the current politics of the EU, but a brief overview of the way this organization has evolved is essential to better understand how it operates today. After all, many of today's political decisions will end up as historic events in tomorrow's books. A closer examination of the most significant political events that occurred in the EU's history gives us a first insight in the nature of EU politics today. We do this by examining the following questions:

- What was the historical background to several initiatives for international cooperation after the Second World War?
- What made the European Coal and Steel Community so important for European integration?
- What have been the major developments in the process of European integration when looking at the evolution of its policies, institutions and membership over the decades?
- What does the history of European integration teach us about studying EU politics today?

After reading this chapter you will have learned that the process of bringing the European countries together was a long and winding road with many fits and starts. Periods of rapid change and innovation have alternated with long stretches of gridlock and stalemate. The process was often erratic because of fundamentally different views on the nature, pace and scope of integration. While the term 'European Union' suggests that we are dealing with an organization that was swiftly put in place on the basis of a solid design, we are in fact looking at a patchwork that has been stitched together in a step-by-step fashion over the course of six decades.

The origins of European integration

The institutional roots of the European Union lie in the years following the Second World War. Europe was shattered, and not for the first time. European history had been marked by an almost infinite sequence of conflicts, wars and rebellions, fuelled by religious strife, imperial ambitions and nationalistic sentiments. Notable philosophers such as Jean-Jacques Rousseau, Jeremy Bentham and Immanuel Kant had already concerned themselves with this problem and come up with proposals for some type of a federation of states in order to guarantee peace and avoid war. None of these ever materialized, however.

The aftermath of the Second World War provided unusually fertile ground for new ideas for international cooperation. The war took the lives of approximately 40 million civilians and 20 million soldiers, while those that survived were faced with destruction and despair. In a speech at the University of Zürich

in 1946 Winston Churchill – who had been Britain's prime minister during the war – sketched the sense of despair: 'Over wide areas a vast quivering mass of tormented, hungry, care-worn and bewildered human beings gape at the ruins of their cities and their homes and scan the dark horizons for the approach of some new peril, tyranny or terror.' Churchill's speech became historic because he proposed to 'recreate the European family in a regional structure called, it may be, the United States of Europe'. He urged France and Germany, the two arch-enemies, to take the lead in setting up such a federation.

Fears about the future were fuelled in particular by the geopolitical map of the new Europe. Following the post-war settlement, Europe was divided into two spheres of influence. An Eastern zone was dominated by the communist Soviet Union, with countries such as Poland, Hungary, Romania and Bulgaria and the eastern part of Germany. The Western part of Europe consisted of liberal democracies that were strongly supported and protected by the USA. Fears that the Soviet Union might try to expand its sphere of influence westward necessitated a swift rebuilding of Europe. Hence, the USA was supportive of many of the initiatives that were launched to foster cooperation (see Briefing 1.1). Three different types of organization emerged:

- Military cooperation found its beginnings in initiatives for a common defence such as the Western European Union (WEU) and the North Atlantic Treaty Organization (NATO).
- Political cooperation emerged via organizations such as the Council of Europe.
- Economic cooperation took root via the Organisation for European Economic Co-operation (OEEC), the Benelux and the European Coal and Steel Community (ECSC).

The legacy of the two world wars made any form of cooperation involving France and Germany extremely difficult. The most delicate and pressing issue was the German question. Germany's size and its economic potential necessitated that it recover as soon as possible. Germany's large coal resources in the Ruhr area were pivotal for Europe's recovery and for the French steel industry in particular. At the same time many feared that a resurgence of Germany could make the country belligerent again and cause new military conflict.

Fuelled by the fear of communism the USA decided that Germany needed to be integrated in the Western bloc as soon as possible. In April 1949 the western part of Germany regained its independence and was transformed into the Federal Republic of Germany (FRG). French fears were dealt with by putting Germany's coal industry under the supervision of the International Authority for the Ruhr (IAR) which would manage coal supplies from the Ruhr region. The IAR was in charge of determining the minimum amount of coal, coke and steel Germany should make available for export. Both politically and economically the IAR was not a success: the Germans still felt occupied and the method of rationing coal was not efficient. The Americans therefore urged the French to devise another scheme. It was Jean Monnet, Commissioner-General of the

Briefing 1.1

Related international organizations and their current status

The **Western European Union** (WEU) was founded through the Brussels Treaty in 1948 by the United Kingdom, Belgium, France, Luxembourg and the Netherlands. It was set up to provide for common defence in case of an attack on any of its members and prepared the ground for the foundation of NATO (see below). The activities of the WEU have now been incorporated in the EU's Common Security and Defence Policy and the Treaty was terminated in 2011.

The **North Atlantic Treaty Organization** (NATO) is a military intergovernmental alliance through which each of the members pledges support to the other members in the event they are attacked. It found its origin in a similarly named Treaty signed in 1949 by twelve Western countries including the USA, Canada, United Kingdom, France and Italy. NATO currently has twenty-eight members and is involved in several peacekeeping and reconstruction missions worldwide.

The **Council of Europe** was founded in 1949 to achieve greater unity between its members by maintaining and developing the rule of law, human rights and fundamental freedoms. It currently has forty-seven member states and is home to the European Court of Human Rights which deals with cases relating to the European Convention on Human Rights. The judgments of the Court are binding upon the member states. (Note that the Council of Europe should not be confused with the European Council, an EU institution that hosts the Heads of State and Government of the EU member states.)

The **Organisation for European Economic Co-operation** (OEEC) was set up in 1948 in order to administer the Marshall Plan, a US-funded package for economic recovery of Europe. In 1960 it was succeeded by the Organisation for Economic Co-operation and Development (OECD), which focuses on analysing and forecasting the economic policies of its thirty-four members.

The **Benelux** was founded in 1944 by the governments-in-exile of Belgium, the Netherlands and Luxembourg with the aim of forming a customs union. It was upgraded to an economic union in 1958. A new treaty expanding cooperation to sustainable development and judicial cooperation entered into force in 2010.

French National Planning Board, who came up with a plan that would pool the coal and steel production of France and Germany and create a common market.

On 9 May 1950 Monnet's scheme was presented by the French Minister of Foreign Affairs, Robert Schuman, in a declaration that is nowadays considered to be the EU's founding moment. This is how Schuman outlined this philosophy:

> Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The rassemblement of the nations of Europe requires the elimination of the age-old opposition of France and Germany. Any action taken must in the first place concern these two

countries. With this aim in view, the French Government proposes to take action immediately on one limited but decisive point. It proposes to place Franco-German production of coal and steel as a whole under a common higher authority, within the framework of an organisation open to the participation of the other countries of Europe. [...] In this way there will be realised simply and speedily that fusion of interests which is indispensable to the establishment of a common economic system; it may be the leaven from which may grow a wider and deeper community between countries long opposed to one another by sanguinary divisions. By pooling basic production and by instituting a new higher authority, whose decisions will bind France, Germany, and other member countries, this proposal will lead to the realisation of the first concrete foundation of a European federation indispensable to the preservation of peace.

> Robert Schuman, *The Schuman Declaration. Fondation Robert Schuman*
> *(http://www.robert-schuman.eu/en/declaration-of-9-may-1950).*

Two things in the excerpt from Schuman's speech merit attention. First, the plan was innovative because it proposed the institution of an impartial body – the High Authority – that would be empowered to monitor and execute the agreement between the member states. This feature would give the ECSC the characteristics of a **supranational organization**: member states handed over part of their sovereignty to a third, neutral party that would supervise the execution of the terms of the treaty. In Schuman's plan the High Authority was authorized to make decisions that were needed to execute the agreements laid down in the treaty. And in those cases where member states and the High Authority disagreed, they would be able to bring their dispute to a court that would be authorized to issue a binding judgment. The supranational formula differentiated the organization from all the other organizations which had been set up so far: these had been **intergovernmental organizations**.

> **Supranational organizations:** organizations in which countries pool their sovereignty on certain matters to allow joint decision-making.

> **Intergovernmental organizations:** organizations in which member states work together on policies of common concern but retain their full sovereignty.

A second important feature of the plan was its limited scope. Cooperation would start on a small basis by first trying to manage the common market for coal and steel. It was a deliberate decision to do this, because it was absolutely clear that the time was not ripe yet for a fully fledged federal state. In such a federal state member states should have been willing to cease to be independent and become part of a United States of Europe. Although at the time this was of course a bridge too far, there were many federalists that actively promoted these ideals and strived for a development of integration in this direction. In their view the supranational model acted as a halfway house on the road to a truly federal state. Small and concrete steps would provide the foundations for an eventual transfer of sovereignty to a new centre.

Schuman's plan needed to be turned into a treaty between the countries that wanted to take part in this experiment. In addition to France, five countries joined the negotiations. Germany was very happy to accept France's invitation. It was the first time that it would be treated on an equal footing and it made

possible the abolition of the Ruhr Authority. The countries of the Benelux (Belgium, the Netherlands, Luxembourg) simply had to join because their economies depended very much on those of France and Germany. Italy joined the negotiations for both political and economic reasons. Just like Germany it wanted to regain respectability after the war. It also felt its industry would benefit from being part of the common market for coal and steel.

Negotiations on the treaty took almost a year. Opinions differed on the amount of power that should be given to the High Authority and the ways in which it could and should be controlled. The Dutch and the Germans success-fully insisted on a solution that would make it possible for the member states to supervise the High Authority. The result was an additional body in the form of the Council of Ministers that would represent the governments of the member states. The Council constituted an intergovernmental institution that would act as a counterweight to the supranational High Authority.

On 18 April 1951 the six countries signed the Treaty of Paris which formally established the European Coal and Steel Community. The Community's four main institutions were:

- a Council of Ministers, representing the member state governments, to co-decide on policies not provided for in the Treaty;
- a High Authority, consisting of independent appointees, acting as a daily executive making decisions on the basis of the Treaty provisions;
- a Court of Justice, consisting of independent judges, to interpret the Treaty and adjudicate conflicts between member states and the High Authority;
- a Common Assembly, drawn from members of national parliaments, to monitor the activities of the High Authority.

The initial institutional design of the ECSC proved to be quite resilient. It is still clearly visible in the institutional make-up of the EU today and it provided the template for organizing the other Communities that were set up in the decades to come.

▓ A brief historical survey of European integration

In order to better capture the historical developments it is useful to look at three different questions that help explain the steps that were taken over the decades.

- In which areas did member states decide to cooperate? This question looks at the *policies* that member states agreed upon. The first way to chart the history of integration is by tracing the incorporation of new policy areas over time.
- How did the member states organize their cooperative efforts? This second question looks at the *institutional framework* they put in place to make these policies. It examines the institutions that were set up, their powers and the way they arrive at decisions.

- Which countries became members? This question looks at the developments in the organization's *membership*. The process of enlargement charts this third element of European integration.

When surveying the EU's history, it is useful to keep the above distinctions in mind. In addition to the historical overview below, the book's website (www.navigatingthe.eu) contains a timeline that gives an overview of the main events with respect to these three questions.

In a formal sense steps in integration are characterized by the adoption of treaties in which member states agree to cooperate in certain areas as well as by subsequent amendments to such treaties. Table 1.1 lists the four founding treaties: the European Coal and Steel Community, the European Economic Community, the European Atomic Energy Community and the European Union. The founding treaties have been amended frequently in order to incorp-orate changes in policies, the institutions and membership. The table therefore also lists the most important amending treaties. Note that in 2002 the ECSC treaty expired whilst the EEC treaty was renamed twice, and is now known as the Treaty on the Functioning of the European Union.

The 1950s: from one to three Communities

After the six founding members had **ratified** the Treaty of Paris, the ECSC started operation in July 1952, with Jean Monnet as the first President of the High Authority. In the meantime new integrative steps were underway. The Korean War, between communist North Korea and capitalist South Korea, heightened concerns about the global threat of communism. The USA therefore pressed

> **Ratification:** procedure through which a member state formally commits itself to a treaty, in most countries via a majority vote by its parliament.

for a rearmament of the FRG that would bolster the defensive capabilities of Western Europe and defend the West German border against a possible attack from the east. For the French in particular the prospect of an independent Germany with its own army was unacceptable, however. A solution was found in following the ECSC model: West German troops would be brought under a supranational command. In April 1952 the member states agreed on a Euro-pean Defence Community (EDC) that would establish such a structure. Soon thereafter another treaty – European Political Community (EPC) – was drafted in order to provide for an appropriate institutional framework that would give political guidance to the activities of the EDC. The initial plans that were proposed by a constitutional committee drawn from the ECSC parliamentary assembly consisted of setting up a quasi-federal legislature consisting of a Chamber of the Peoples, elected by direct suffrage, and a European Senate appointed by national parliaments.

The pace of integration was remarkable: only three years after the Treaty of Paris, the ECSC members were on the brink of taking major steps both in terms of policies and in terms of the accompanying institutional structures.

Table 1.1 An overview of the major treaties. (Founding treaties in bold)

Treaty name	Year Signed	Entry into force	Type	Treaty establishing
Treaty of Paris	**1951**	**1952**	**Founding**	European Coal and Steel Community (ECSC) — Expired 2002 merged with TEC
Treaties of Rome	**1957**	**1958**	**Founding**	European Economic Community (EEC) → Treaty on European Community (TEC) → Treaty on Functioning of European Union (TFEU); European Atomic Energy Community (Euratom) → Treaty establishing the European Atomic Energy Community (Euratom)
Single European Act	1986	1987	Amending	
Treaty of Maastricht	1992	1993	Amending/ Founding	European Union (EU) → Treaty on European Union (TEU)
Treaty of Amsterdam	1997	1999	Amending	
Treaty of Nice	2001	2003	Amending	
Treaty of Lisbon	2007	2009	Amending	

Indeed the plans proved to be too ambitious. Plans for the EDC divided French society and politics to such an extent that in the end the French parliament decided not to debate the proposal further. This then also obviated the need to further discuss the plans for EPC. In the end the move towards supranational cooperation in these areas was clearly a bridge too far.

Despite the failure of the EDC and EPC, new initiatives to increase cooperation were launched soon thereafter, albeit in areas that were less sensitive. Jean Monnet, disillusioned by the lack of progress in European cooperation, resigned as President of the High Authority. He further pursued his federalist ideals by setting up the Action Committee for the United States of Europe. Monnet pressed for broadening cooperation in the field of energy by proposing a European Atomic Energy Community. Around the same time Dutch Foreign Minister Beyen came up with proposals for a common market that would cover all types of economic activity.

Representatives of the founding member states discussed these different proposals in a series of meetings that started in the Italian city of Messina. In the end the governments agreed on the establishment of two new Communities that were laid down in the Treaties of Rome. The European Atomic Energy Community (Euratom) would strive for the development of nuclear energy, whilst the European Economic Community (EEC) would focus on establishing the free movement of goods, services, workers and capital between the member states.

The agreement on abolishing barriers to trade was accompanied by worries about the effects this might have on specific groups. Hence some provisions were made that would make it possible to alleviate such negative side-effects. The French, for example, successfully lobbied for the inclusion of a common agricultural policy that would enable measures to support farmers. In a similar vein the Italian government demanded measures that would reduce differences in prosperity between the regions in Europe. In this manner Italy hoped to secure funds that would be targeted at the extremely poor southern regions of the country. The treaty therefore also enabled the setting up of a European Social Fund. Although it would take several years before they actually were implemented, the treaty already provided the legal possibilities to develop these policies.

The institutional set-up of Euratom and the EEC was roughly similar to that of the ECSC, with one exception. The powers of the supranational executive in the EEC and Euratom – called the Commission – were significantly less than those in the ECSC. The Commission was granted the right to make legislative proposals for what came to be known as Community legislation, but all these proposals needed to be approved by the Council of Ministers.

The 1960s: progress and setbacks

Of the three Communities the EEC turned out to be the most energetic. Progress on the elimination of **customs duties** was ahead of schedule

Customs duties or tariffs are charges levied on imports or exports, resulting in higher prices for consumers buying those products.

and the Commission managed to complete this three years earlier than planned.

Three other developments signalled the EEC's success in cooperating on the economic front. In 1963 the member states signed the Yaoundé agreement, a **preferential trade agreement** with the EEC's former colonies. And in 1965 the Commission represented the six member states in negotiations for the Kennedy round of the General Agreement on Tariffs and Trade (GATT), the negotiating framework for liberalizing trade in the world. Finally, in 1962 the Council agreed on the organizational features of the Common Agricultural Policy (CAP): it established a system of guaranteed minimum prices for specific agricultural products. In 1967 the first common markets (for cereals, pig meat, poultry meat and oilseeds) started operating. The CAP was different from the other policies because it liberalized trade within the Community but at the same time provided measures to protect European farmers by guaranteeing them minimum prices and levying import duties on products from outside of the Community.

> In a **preferential trade agreement** countries agree on lowering the tariffs they charge for importing goods.

The early 1960s also were marked by two key rulings of the Court of Justice (CJ) that made a lasting imprint on the legal order of the Community. In its rulings the Court argued that the new legal framework of the Community amounted to more than an ordinary international treaty and formed an integral part of the legal order of the member states. As a result individuals could invoke European legislation directly (**direct effect**) and European legislation assumed precedence over national legislation (**supremacy**) (see Briefing 1.2).

> **Direct effect:** a major legal principle in EU law holding that individuals can directly invoke EU legislation in cases before national courts.

Several member states and their national courts initially objected to the Court's interpretation of the status of European law. The Court's rulings were seen by many as part of a deliberate strategy to increase its own powers through **judicial activism**. The decades to come would witness numerous other rulings of the Court that fostered integrative steps. Member states nevertheless accepted the Court's ruling, albeit reluctantly.

> **Supremacy:** a major legal principle in EU law holding that if national legislation is in conflict with EU law, EU law overrides national legislation.

> **Judicial activism:** type of judicial behaviour where judges take a broad and active view of their role as interpreters of the law.

The success of the EEC did not go unnoticed in neighbouring countries. Hence, the UK, Ireland, Denmark and Norway made applications for membership. In 1963 French President Charles de Gaulle vetoed the UK's application, much to the dismay of the other member states. De Gaulle considered the British to be too strongly aligned to the United States. He also feared a loss of influence for France as a result of the possible entry of such a large country. As a result negotiations with all four candidates were aborted. De Gaulle would again veto the UK's application in 1967. Negotiations were resumed only after he had stepped down as president of France and was replaced by Georges Pompidou in 1969.

Briefing 1.2

Excerpts from the Court's rulings establishing direct effect and supremacy

Direct effect: In the case *Van Gend en Loos v. Nederlandse Administratie der Belastingen* (1963) the Dutch transport company Van Gend en Loos challenged an increased import duty it had to pay to the Dutch authorities on the ground that it violated Article 12 of the EEC Treaty, which expressly forbade introducing new duties. The Dutch court referred the matter to the Court because it was unsure whether individuals had the right to directly invoke Community law in a national court case. In its ruling the Court argued that:

> this Treaty is more than an agreement which merely creates mutual obligations between the contracting states. [. . .] Independently of the legislation of member states, Community law therefore not only imposes obligations upon individuals but is also intended to confer upon them rights which become part of their legal heritage. [. . .] According to the spirit, the general scheme and the wording of the Treaty, Article 12 must be interpreted as producing direct effects and creating individual rights which national Courts must protect.

Supremacy: In the case *Costa v. ENEL* (1964), an Italian citizen, Flaminio Costa, brought a case before an Italian court claiming that plans to nationalize the electricity company ENEL violated Community law. The Italian court referred the case to the Court of Justice which clarified the status of European law as follows:

> By contrast with ordinary international treaties, the EEC Treaty has created its own legal system which, on the entry into force of the Treaty, became an integral part of the legal systems of the member states and which their Courts are bound to apply. By creating a Community of unlimited duration, having its own institutions, its own personality, its own legal capacity and capacity of representation on the international plane and, more particularly, real powers stemming from a limitation of sovereignty or a transfer of powers from the states to the community, the member states have limited their sovereign rights, albeit within limited fields, and have thus created a body of law which binds both their nationals and themselves.

Source: Court of Justice of the European Communities, *Reports of Cases before the Court* (Luxembourg, 1963 and 1964).

De Gaulle's vetoes were part of a larger legacy of events that seriously slowed down the pace of integration. The most important of these was the empty chair crisis. In 1965 the Commission proposed to the Council a different way of financing the Common Agricultural Policy. Because it would give the European Parliamentary Assembly and not the Council the right to decide upon the budget, de Gaulle felt that this undermined the power of member states. Tensions further increased when de Gaulle objected to a scheduled change in decision-making rules in the Council that would introduce a new rule for making decisions, called **qualified majority voting** (QMV). This

> **Qualified majority voting:** Decision-making rule in the Council which requires a majority that is substantially larger than a simple majority of (50%+1), but does not require unanimity.

would eliminate the possibility for a member state to veto proposals in some policy areas.

The French president decided to withdraw his ministers from participation in the meetings of the Council. This paralysed decision-making for half a year, because the remaining members did not want to make any drastic decisions until France returned. It did so after the member states agreed on a declaration that came to be known as the **Luxembourg Compromise**. The declaration provided for a safeguard clause that would give every member state a veto to block decisions considered to be a matter of vital national interest. While the compromise was never formalized into a provision in any of the treaties, it had a real effect on decision-making in the Council. It necessitated finding a consensus even in those instances where the formal rules would allow decisions on the basis of majority voting. The crisis also forced the Commission to be more cautious in advancing its plans. This obviously slowed down decision-making and the process of integration in the years to come.

> **Luxembourg Compromise:** agreement allowing a member state to block a decision in the Council if it declares the matter to be of 'vital national interest'.

The 1970s: moving out of gridlock, slowly

The early years of the 1970s were difficult, not least because of the economic crisis. Eurosclerosis held the member states in its grip: a relatively inflexible labour market coupled with a system of generous unemployment benefits made their economies inflexible and economic recovery difficult. The economic setbacks seemed to generate a retreat from European cooperation with member states unwilling to move ahead with integrative steps. The Council had accumulated a backlog of no fewer than 1,000 Commission proposals that it was unable to decide upon because member states were blocking decision-making with a reference to the Luxembourg Compromise. This in turn demotivated the Commission. It would take until the end of the 1970s before pessimism gave way to renewed confidence.

Despite this general mood of pessimism, a couple of small developments would provide the foundation for more significant integrative steps in the decades to come. First, in 1970 the Treaty of Luxembourg was signed. Its significance lay in granting the Community its own resources and giving the European Parliament the right to approve part of the budget (its powers were extended in 1975 through a second budgetary treaty). The position of the Parliament was further strengthened by the decision to directly elect its members from 1979 on.

Negotiations with the aspiring four members were also concluded in the early 1970s. In 1973 the UK, Ireland and Denmark finally joined. Norway, however, stayed out after its citizens rejected membership in a referendum.

The 1970s also witnessed the rise of a new body that would eventually develop into one of the EU's most important institutions: the European Council. From 1969 on the political leaders of the member states – the so-called Heads of State and Government – had started meeting informally to discuss the most urgent problems. In 1974 these meetings were formalized through the establishment of the European Council (not to be confused with the Council of Europe). The first role of the European Council would be to provide political guidance to the activities of the Community. It did so by identifying new areas of cooperation and surveying the possibilities for developing policies in these domains. In 1970, for example, the Werner Report recommended measures to coordinate economic and monetary policies. This provided the basis for several agreements to dampen currency fluctuations in the early 1970s. In 1978 the European Council made the decision to set up the European Monetary System (EMS), which fixed exchange rates between the participating countries.

A second important role of the European Council would be to discuss and tackle the major problems the Community faced. A notable early example was the UK's problem with the budget. In 1979 Prime Minister Margaret Thatcher complained about the UK's status as a net contributor: 'What we are asking is for a very large amount of our own money back, over and above what we contribute to the Community.' Five years later the European Council finally agreed on a formula that would give the UK a substantial rebate on its contribution. The rebate is still in force today.

In the second half of the 1970s Greece, Portugal and Spain applied for membership. The three countries had each suffered under dictatorships. The end of their autocratic regimes provided an opportunity for these countries to consolidate democracy and boost their economic development by joining the Community.

A major impediment to the further development of the Community had been the continued existence of all kinds of **non-tariff barriers** to trade. Even if on paper enterprises were allowed to import and export goods without any restrictions, in practice national laws and regulations often prevented this.

> **Non-tariff barriers** are all kinds of conditions, restrictions or regulations that do not consist of tariffs, but still make the import or export of products difficult or impossible.

Firms very often brought cases to court to address such barriers. One case involved a German importer who was not allowed to sell a French liqueur in Germany because the alcohol percentage was below what German law prescribed. In the 1979 *Cassis de Dijon* ruling the Court of Justice concluded that the German law violated the principle of the freedom of movement of goods and was hence incompatible with European law. The ruling established the principle of mutual recognition which is further explained in Chapter 8 (see Briefing 8.1).

In 1979 the first direct elections for the members of the European Parliament (EP) – the new name for what was originally known as the Common Assembly – were held. While at this stage the EP's powers were still limited, its direct mandate would make it more assertive in the years to come.

The 1980s: moves towards a single market

The Court's *Cassis* ruling made clear that there was a wide gulf between the principles and the practice of the Community's free trade area. Customs duties

might have been abolished, but there were so many other barriers that a truly single market did not exist yet. In 1985 a new Commission took office under the leadership of Jacques Delors, who made the completion of the single market one of its key ambitions. At the request of the European Council the Commission made a proposal in which it sketched a timeline that would remove all barriers by 1992. To realize this goal it was deemed necessary to facilitate decision-making in all policy areas relating to the single market. This necessitated a revision of the treaties, which was achieved via the Single European Act (SEA). The SEA – signed in 1986 – included measures to advance the single market project and further broadened the EU's sphere of activity by including environmental policies, social policy and measures to increase economic and social cohesion between the member states. The Act also formalized some forms of cooperation which had already been developed outside of the treaties: Economic and Monetary Union (EMU) and Foreign and Security Policy.

The Act also contained a number of significant institutional changes. Decision-making on the single market was facilitated and the EP was granted new powers through the introduction of two new decision-making procedures. It was given the right of assent for enlargement and association agreements and also acquired some say over a limited number of policies through the cooperation procedure.

After Greece had joined the Community in 1981, Portugal and Spain joined in 1986. The accession of these countries was not unproblematic. Greece was economically very backward, but the solid support of Germany and France ensured its entry, despite reservations on the part of the Commission. The entry of Spain and Portugal met with resistance from France and Italy who feared a flooding of cheap agricultural products as well as an influx of guest workers. These worries were handled by agreeing to a transition period that would put limits on exporting certain products as well as quotas, limiting the amounts to be exported.

In 1987 both Turkey and Morocco applied for membership. Morocco's application was immediately turned down because it was not considered to be a European country. The Turkish application would be the start of a very long accession process that is still under way.

The 1990s: the road towards European Union

The project of completing the single market proved to be quite successful and led to renewed attention to achieving further integration in the fields of economic and monetary policies. In 1989 Commission President Jacques Delors brought out a report on achieving Economic and Monetary Union, once again at the request of European Council. Delors proposed a timetable consisting of three different stages that would ultimately result in a single monetary policy and a replacement of national currencies by a single currency.

The same year witnessed the fall of the Berlin wall which would bring to an end a four-decade era of communism in the Central and Eastern European Countries (CEECs). The events necessitated further reflections on the political future of the Community. A new treaty revision was needed to incorporate these developments.

The Treaty of Maastricht broadened the areas that would be part of Community policies, including a timetable to introduce a single currency, the Euro. All member states committed themselves to joining the Eurozone once their economies would meet all requirements. The UK and Denmark negotiated **opt-outs** and hence were enabled to keep their own currency. Sweden managed to escape the obligation by not joining the Exchange Rate Mechanism, which is a prerequisite for being able

> **Opt-outs:** specific exceptions that are granted to a member state when it is unwilling or unable to fully accept all provisions of a treaty or a law.

to adopt the Euro. 'Maastricht' further expanded cooperation in the fields of foreign policy through establishing a Common Foreign and Security Policy (CFSP). Under the heading of Justice and Home Affairs (JHA) it launched agreements on asylum and immigration policies as well as judicial and police cooperation. In terms of institutional changes the Treaty of Maastricht further increased the EP's legislative powers through the introduction of co-decision. For a limited number of policy areas this new decision-making procedure allowed the EP to modify legislative proposals before approving them. (The procedure would eventually become the most common form of decision-making and hence is called **ordinary legislative procedure** today).

> **Ordinary legislative procedure:** decision-making procedure that is most commonly used in the EU for adopting legislation, giving equal powers to the European Parliament and the Council.

The institutional structure for these different policies was quite complex and captured by referring to three different pillars. The first supranational or Community pillar consisted of all policies that were part of the three founding treaties and their respective amendments (ECSC, EEC and Euratom). The second pillar and third pillar represented CFSP and JHA, respectively: these two pillars were referred to as intergovernmental, because they granted most decision power to the Council and the member states represented there (we explain these different decision-making procedures in Chapter 4).

To still suggest some modicum of coherence the term 'European Union' was coined to refer to the overall structure that was supported by these three different pillars. Hence the EU was built on a very uneven foundation, which reflected the divergent views on levels of cooperation for different policy areas. Still, one other ingredient was added to symbolize unity: the Treaty also introduced the concept of European Union citizenship. Although initially this decision was seen as a highly symbolic move, it would achieve real significance through several Court rulings that granted rights to European citizens living in another member state.

The 1990s witnessed important developments in terms of enlargement. During the decades of the Cold War Austria, Sweden and Finland had decided not to apply for membership because they wanted to maintain their neutrality. With the fall of the Berlin wall this was no longer needed. Given the affluence and the level of democracy in each of these countries, their applications were

warmly welcomed. In fact, accession negotiations for this fifth enlargement proved to be somewhat of a mirror image of the previous two. Instead of member states demanding guarantees to alleviate worries about negative effects of new members, this time the candidates expressed worries about the possible negative effects of joining the Community for certain sectors.

Several deals were struck with each of these countries, such as measures to protect farmers in Finland and Austria that went well beyond those mandated by existing Community policies. The three countries joined the EU in 1995.

While the German Democratic Republic (GDR) had already joined the EU via the reunification of Germany, between 1994 and 1996 ten other CEECs submitted an application for membership. Given the radically different background of these countries, the European Council formulated some additional rules that would guide the admission process (the **Copenhagen criteria**, see Briefing 1.3). Together with the earlier applications of Malta and Cyprus this made for twelve potential new members. The prospect of these significant enlargements necessitated further treaty revisions. The first of these resulted in the Treaty of Amsterdam, but many decisions were in the end forestalled. Nevertheless, the Treaty further increased the use of co-decision and hence the power of the EP. It also provided for further coordination in the area of CFSP. Also immigration policies and related topics such as procedures on issuing visas were moved to the first, Community pillar.

> **Copenhagen criteria:** fundamental conditions regarding institutions, human rights and economic readiness aspiring member states have to meet before being able to join the EU.

In the meantime a core group of twelve countries had steadily moved towards achieving monetary union following the timetable that was proposed by Delors. In 1998 the European Central Bank started operations and in 1999 the third and final stage of EMU was reached. From 1 January 2000 exchange rates were fixed and national currencies of were replaced by the Euro. Two years later Euro coins and notes were brought into circulation and replaced the national coins and notes within half a year.

The 2000s: further enlargements, difficult treaty revisions and the beginning of a financial crisis

Although there were large disparities in the readiness of different CEECs for membership, political considerations made it desirable to arrange for a timetable that would result in allowing as many countries as possible to join at the same time. Eight of the ten CEEC countries succeeded in qualifying together for membership and in May 2004 they became members, together with Cyprus and Malta. Bulgaria and Romania followed suit in 2007.

In 2004 Croatia became a candidate member of the EU, and – after almost ten years of negotiations – became the EU's twenty-eighth member state in 2013. Accession negotiations with other candidate countries were less successful. Those with Turkey started in 2005 but proved to be difficult with respect to its relations with Cyprus, issues of freedom of speech and judicial reform.

Briefing 1.3

How to become a member of the EU

Article 49 of the Treaty on European Union states that any European state which respects and promotes the basic values of the EU can apply for membership. Countries have to submit this application to the Council of Ministers. On the basis of advice from the Commission the Council will have to accept the application unanimously. Negotiations take place between the member states and the candidate country and can only start if the country meets the so-called Copenhagen criteria, drawn up at a meeting of the European Council in 1993:

- stable political institutions that foster democracy and respect human rights;
- a well-functioning market economy;
- the institutional capacity to work towards political, economic and monetary union.

Once these conditions have been satisfied the Commission starts a process called *screening* in which it outlines the *acquis communautaire*, or *acquis*, the body of legislation and policies that every aspiring member has to incorporate as a condition for membership. The *acquis* is divided into thirty-five chapters that each deal with a separate policy area. Member states negotiate with the candidate country on a chapter by chapter basis, and are updated on the status of progress by the Commission. If candidates have satisfied all conditions, a chapter can be closed and new chapters can be opened. When all conditions have been satisfied a draft accession treaty is drawn up which needs to be approved by the Council, Commission and EP and signed by the member states and the candidate member. Membership comes into effect after each member state has ratified this treaty according to its own national procedures (usually approval by parliament).

The EU helps potential candidates meet the Copenhagen criteria by giving financial support aimed at strengthening democratic institutions, reforming the economy and training civil servants. The road to membership is long. Many of the countries that were part of the 2004 enlargement took about ten years to complete the full trajectory, while Turkey's journey continues to be tortuous. After applying in 1987, it took until 1999 before the EU accepted the application. It took another six years before the start of accession negotiations in 2005 and progress on the different chapters is very slow.

Source: European Commission, enlargement website (www.ec.europa.eu/enlargement).

Iceland gained candidate status in 2010, but the Icelandic government put the negotiations on hold in 2013 because no agreement could be reached on important dossiers such as those concerning fisheries and financial supervision.

Table 1.2 EU member states, waves of enlargement and key characteristics

Member state	Date joined	Population in millions	GDP as % of total EU GDP	GDP in Purchasing Power Standards	Unemployment as % of the labour force	Euro as currency
Belgium	1951	11.2	2.9	120.4	8.4	X
France	" "	65.6	15.8	108.6	10.3	X
Germany	" "	80.5	20.9	123.5	5.3	X
Italy	" "	59.7	11.9	100.4	12.2	X
Luxembourg	" "	0.5	0.3	263.1	5.8	X
Netherlands	" "	16.8	4.6	127.8	6.7	X
Denmark	1973	5.6	1.9	125.9	7.0	
Ireland	" "	4.6	1.3	129.0	13.1	X
United Kingdom	" "	63.9	14.5	104.3	7.5	
Greece	1981	11.1	1.4	76.5	27.3	X
Portugal	1986	10.5	1.3	76.1	16.4	X
Spain	" "	46.7	7.8	95.7	26.1	X
Austria	1995	8.5	2.4	129.8	4.9	X
Finland	" "	5.4	1.5	115.3	8.2	X
Sweden	" "	9.6	3.2	126.3	8.0	
Cyprus	2004	0.9	0.1	91.8	15.9	X
Czech Republic	" "	10.5	1.1	81.2	7.0	
Estonia	" "	1.3	0.1	71.4	8.6	X
Hungary	" "	9.9	0.7	66.7	10.2	
Latvia	" "	2.0	0.2	64.3	11.9	X
Lithuania	" "	2.9	0.3	71.8	11.8	X
Malta	" "	0.4	0.1	86.3	6.4	X
Poland	" "	38.5	3.0	67.1	10.3	
Slovakia	" "	5.4	0.6	76.1	14.2	X
Slovenia	" "	2.1	0.3	83.9	10.1	X
Bulgaria	2007	7.3	0.3	47.5	13.0	
Romania	" "	20.0	1.1	52.9	7.3	
Croatia	2013	4.3	0.3	61.2	17.2	
EU-28		505.7	100.0	100.0	10.8	

Source: Eurostat. All figures 2013, except for GDP (2012).

Table 1.2 gives some core characteristics for the current members and ranks them in the order of joining the EU. In some older documents and analyses a distinction is often made between what is called the EU-15, consisting of the 'old' member states, and the new member states, which after the 'Big Bang' enlargement were termed the EU-12. The distinction is made because of the significant differences between these countries in terms of their length of membership, political background and economic development. The level of affluence in the new member states is substantially lower than that of the EU-15. Also the size of the economies of the newer member states is very small, making up no more than 7.3% of the Union's gross domestic product (GDP). The willingness of the EU-15 countries to accept these countries into the EU was therefore mixed, and was largely framed in terms of the need to consolidate democracy and ensure peace and stability in a wider Europe.

The first decade of 2010 was also characterized by a lengthy period of revision of the treaties. The Treaty of Amsterdam had left many issues unresolved and necessitated a new round of modifications that resulted in the Treaty of Nice in 2001. It reassigned the voting weights of the member states in the Council and the number of seats for the members of the EP, but only after long and protracted battles between the member states. As a result of all these struggles there was a widespread feeling among the leaders of many member states that the institutional architecture of the EU needed a major overhaul. How could the EU be made more democratic, transparent and effective? Instead of calling for a new **Intergovernmental Conference** (IGC), in which member states would debate these issues, they agreed on establishing a convention – with a much broader membership than an ordinary IGC – that would examine these questions. Its recommendations would then provide input to the IGC.

> **Intergovernmental Conference:** meeting of the member states to discuss and decide a revision of treaties. As its name indicates an IGC is a purely intergovernmental affair that only involves representatives of the member state governments.

The convention consisted of 207 delegates drawn from national parliaments, the European Parliament, the Commission and the governments of member states. After numerous plenary sessions and group meetings over the course of sixteen months, its chair – former French President Giscard d'Estaing – succeeded in presenting a single text on which all delegates could agree. *The Draft Treaty establishing a Constitution for Europe* would do away with the patchwork of amending treaties that had made for such a complex institutional set-up of the EU. Although very lengthy, it greatly simplified the legal structure of the EU by putting things in the right place and providing a clear overview of the Union's competences. The document was of course remarkable in another sense: the Convention delegates dared to characterize the Treaty as a constitutional document. With the benefit of hindsight this might have been the element that triggered most opposition.

The IGC that examined the draft treaty adopted nearly 90% of its contents and succeeded in agreeing on a final text a year later. The Constitutional Treaty streamlined decision-making further by bringing almost all decisions under the *ordinary legislative procedure* thus making the EP a co-legislator in almost all policy areas. It also introduced a semi-permanent President for the European Council and a High Representative for CFSP who would represent the EU in foreign policy matters.
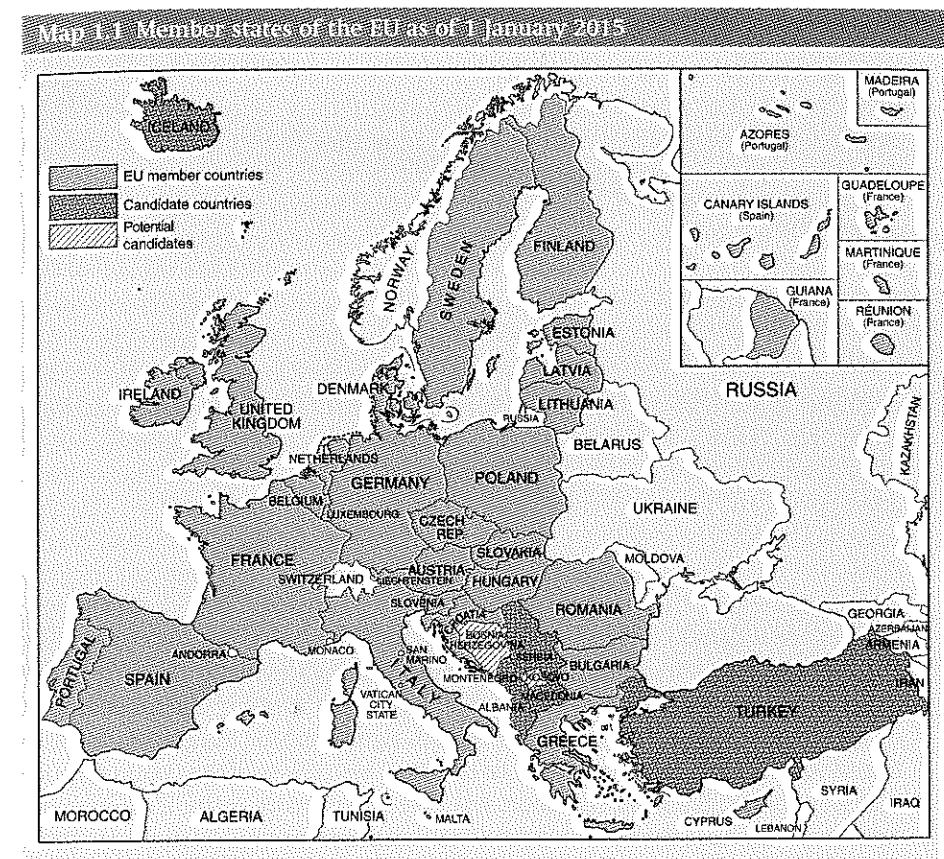
Many member states felt that this major revision of the EU's treaty base necessitated the consent of their citizens. As a result, several member states decided to hold a consultative referendum, even if they were not required to do so. Fuelled by the prospect of these referendums public debates surfaced on the pros and cons of European integration. Signs were hopeful when Spanish voters kicked off the referendum practice and approved the treaty with an overwhelming majority of 76%. Only three months later, however, on 29 May and 1 June 2005, respectively, French and Dutch voters rejected the treaty. Although the outcomes of both referendums were only consultative and could have been ignored by their governments, the EU member states decided to take the signals seriously and suspend the ratification process.

After a period of reflection the European Council decided to redraft the treaty into an ordinary amending treaty. Although much of the content of the treaty survived, some changes were made to accommodate the worries that had surfaced through the outcomes of the referendums. At the request of the Dutch government, references to the constitutional character and official symbols and anthem of the EU were removed. The French successfully pleaded for removing the phrase 'free and undistorted competition' as one of the objectives of the Union. In December 2007 the Treaty of Lisbon was signed.

Wary about the possibility of new no's in referendums all member states decided to ratify this treaty by parliamentary approval and not call referendums. The Irish, however, were constitutionally obliged to submit the treaty to a referendum. The Irish voted no, causing a great deal of frustration among all the member states. The European Council made additional guarantees to the Irish. The most important concession was to refrain from reducing the size of the European Commission, in order to enable every member state to appoint its own commissioner. The guarantees and the impending economic crisis successfully turned around public opinion and in a second referendum the Irish voters approved the Treaty. After all the member states had ratified the text, the Treaty of Lisbon came into effect on 1 December 2009, no less than eight years after initial deliberations on revising the Nice Treaty had started. Treaty modification and ratification had proven to be very complex in a Union of no fewer than twenty-seven member states.

Following the bursting of the housing bubble in the United States in the course of 2008, a global financial crisis evolved that would keep the EU in its grip for several years. The crisis essentially consisted of two inter-related problems. First, a banking crisis affected many so-called systemic banks in the Eurozone, necessitating large support packages from national governments or an outright nationalization of these banks to keep them afloat. Second, in what was known as a sovereign debt crisis the public budgets of many Eurozone governments faced increasing debts and deficits – partly because of the activities to rescue banks. This made it more

Map 1.1 Member states of the EU as of 1 January 2015

and more likely that countries would not be able to meet their debt obligations.

Greece was the first country so overburdened with debt that it ran the risk of defaulting on its debt payments and having to leave the Eurozone. The Eurozone countries and the International Monetary Fund (IMF) agreed on several rescue packages on condition of severe austerity measures. Later that year Ireland was bailed out with a €70 billion aid package. In the course of 2011 Portugal also received support in order to avoid bankruptcy, and later on Cyprus and Spain as well. In the countries affected this generated widespread domestic protest, with citizens repeatedly taking to the streets to challenge the austerity policies their governments were forced to adopt.

The banking and the sovereign debt crisis revealed that current regulatory frameworks were insufficient to monitor and control the financial system and that the public finances of the member states needed to be subject to stronger controls as well. In Chapter 8 we will outline the different measures the EU took in order to address these challenges.

▓ What history teaches us about EU politics today

The overview of the major steps in the history of the EU tells us a lot about politics in the EU today. While we tend to regard them as historical events by now, they were political decisions at the time they were made. The insights thus derived are useful in analysing EU politics as it is made today.

First, while a superficial look at the course of events may suggest a steady process of integration, every step along the way involved difficult negoti-ations. The reason for this is very simple: polit-icians very often disagree on what they want to achieve. Member states have diverging opinions on the pace and scope of integration: the UK, for example, has traditionally been a **Eurosceptic** member state, whilst Luxem-bourg has always been a staunch supporter of further integrative steps. Decision-making has also been difficult because it required the cooperation and approval of many different actors – each of them with their own prefer-ences and ideas: the Council, Commission, European Council, European Parlia-ment, the member states and – in the case of referendums – their citizens. The EU has been deliberately designed to make decisions in this fashion. In this book we provide a detailed overview of decision-making procedures and practices enabling the reader to understand the complexities of getting to a final decision.

> **Eurosceptic:** term used for people, member states or political parties that have been highly critical of European integration.

Second, while major steps have been made via the drafting and amending of formal treaties, other decisions have been as significant for integration as these formal steps. Think, for example, about the three key rulings of the Court of Justice that were outlined above. The Court has been much more active than member states ever expected it to be. As a result integrative steps have been fostered and accelerated to a large extent by the Court's judgments. The decisions of the Euro-pean Council provide another example. Although it does not have many formal powers, it exerts an enormous influence because it brings together the political leaders of the member states. In the chapters to come we therefore pay as much attention to the informal side of decision-making as to the formal aspects of it.

Third, decision-making on policies, institutions and members is very often related. Every debate about a new policy is accompanied by discussions on the role of different institutions and the rules that are used to make decisions. In the EU a major point of debate concerns the relative role of the intergovern-mental institutions – the European Council and Council – and supranational institutions – the Commission, Court and European Parliament. Should legis-lative decisions only be made by the Council, representing the member states, or should the EP as the representative of the citizens have a say as well? Is it sufficient to have a majority of the member states in favour of a proposal, or should unanimity be required? Every major inclusion of a new policy automat-ically generated a debate on these types of questions. When studying the current political decisions in the EU, it is important to keep this in mind: how do the different interests try to safeguard their position and how is this translated in agreements on the nature and scope of policies?

Controversy 1.1

How large should the EU become?
Ever since the fall of the Berlin wall there has been a steady eastward expansion of membership, with many countries currently in the process of becoming members. The accession of these new members is not undisputed, however. Critics point out that the current size of the EU already makes it too big to be able to make swift decisions. This complexity is not only the result of having too many members, but also a consequence of the increased diversity of the EU. Take Turkey, for example. For many critics, Turkey's membership is seen as a bridge too far, because the country does not share the Christian heritage of the other EU members. In addition critics point out that the country is very poor while at the same time so populous that it would wield a big influence in the Council. Supporters of the entry of Turkey point out that the EU will only benefit from Turkey's accession by virtue of its size and the markets this will open. Its membership will encourage the country to bring its democratic and human rights up to the level of EU members. Finally, incorpor-ating Turkey into the EU will improve its position as a strategic buffer between Europe and the Middle East. Take a look at any of the other aspiring members and make a similar overview of the arguments in favour and against accepting that particular country as a member of the EU.

▓ Summary

- The aftermath of the Second World War led to several initiatives for European cooperation on the military, political and economic fronts. The major challenge facing Europe was how to rebuild Europe and ensure a peaceful recovery of Germany as an independent country.
- While most of the organizations that were set up were intergovernmental in nature, France proposed an innovative scheme by introducing a plan for a supranational community in which a High Authority would be authorized to manage the common market of coal and steel.
- The French proposal resulted in the establishment of the European Coal and Steel Community through the Treaty of Paris in 1951 with six founding members: France, Germany, Italy and the Benelux countries. In 1957 the Treaties of Rome established the European Economic Community (EEC) and the European Atomic Energy Community (Euratom).
- The basic institutional structure of the early Communities consisted of a Commission entrusted to oversee the execution of policies, a Council of Ministers representing the member states, a Court of Justice to adjudicate conflict and a European Parliament representing the citizens of the member states. From the mid-1970s the European Council – bringing together the Heads of State and Government of the member states – emerged as the institution providing further political direction to the EU's activities.

- Since the 1950s European integration has consisted of a gradual incorporation of new policy areas, the establishment of new institutions and the inclusion of new member states. The integration process was marked as much by progress as it was by setbacks. While treaty changes provided the clearest indications of further integrative steps, other events such as the rulings of the Court of Justice or decisions of the European Council have been at least as significant for integration as well.
- The political struggles that were fought over the course of the EU's history tell us a lot about politics in the EU today. A major issue facing every integrative step is what the adoption or change of policies will mean for the powers of the different institutions and the possibilities to safeguard the interests they represent.

Further reading

A well-known account of the early days of European integration is Alan Milward, *The Reconstruction of Western Europe* (Routledge, 1987). Luuk van Middelaar's *The Passage to Europe* (Yale, 2013) provides a captivating account of key defining moments in the EU's history, while Desmond Dinan's *Origins and Evolution of the European Union* (Oxford, 2014) provides a diverse set of historical essays.

Websites

- The Virtual Resource Centre for Knowledge about Europe – CVCE – is host to the European Navigator, a multimedial portal with fact files, documents, pictures and films on European Integration: www.cvce.lu
- The EU itself hosts an informative timeline on European integration that connects steps in integration to the political events of the day. Not surprisingly it tends to emphasize the successes: http://europa.eu/abc/history

Navigating the EU

On the website www.navigatingthe.eu you will find online exercises for this chapter.

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2   Analysing the EU

▨ Introduction

Defining what kind of organization the European Union is has always been a challenge. In fact even those people who worked in its heart have had great difficulty pinpointing its essence. Jean Monnet, the first President of the High Authority, called the European Coal and Steel Community 'a new political form'. Given the nascent status of European integration in those days we could forgive him for being so vague. Three decades later, Jacques Delors, a two-term President of the European Commission, could do no better, describing the European Community as a UPO, an *unidentified political object*. After sixty years, José Barroso, another two-term President of the Commission, was only a little more precise, when he characterized the EU as a 'non-imperial empire'. There is probably a very simple explanation for these rather vague and disappointing definitions. Trying to capture the EU in a single definition is simply impossible if one does not know what exactly one wants to say about it. In other words, before being able to characterize something, one has to know what one wants to explain. This applies as much to politicians who work for the EU as to political scientists who want to study it. If we want to understand what the EU is, we first have to decide *what* we want to find out and *how* we are going to do that. This chapter will do this by answering the following questions: