

## **THE DEVELOPMENT OF THE EUROPEAN UNION**

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### **I. INTRODUCTION.**

The European continent has now been at peace for more than 50 years. Economic cooperation and tranquility have transformed the West and Central European landscapes, which for centuries had been dominated by competition and war. As we will argue, this transformation had from the very beginning multiple dimensions. Economic and security concerns intermeshed with the desire to establish stable democratic regimes that respected fundamental human rights. Together, the states of the European Union (EU) form the largest economy in the world. The formation of the EU thus warrants our attention in its own right. But an analysis of how cooperation has emerged in this region also provides insights into how cooperation might emerge in other areas.

### **II. UP FROM THE RUBBLE: NEW UNITY AND PURPOSE (1945-1965)**

#### **A. Historical Origins**

Before 1939, the European powers could still bask in the light of several centuries of European expansion and preeminence on the world scene. They ruled vast empires and held

the fate of nations across the globe in sway. Six years later, war, foreign occupation, and utter destruction had changed the political landscape of Europe forever. The colonies had taken the opportunity to seek independence, domestic economies were in shambles, and governments were starved for resources.

For a while, delusions compounded material destruction. France, occupied for five years, challenged in its East Asian and Middle Eastern possessions, and split by domestic cleavages during the war, nevertheless still claimed to be one of the foremost global powers. Indeed, it even sought to reduce Germany after World War II by bringing key areas under French control in a manner reminiscent of the Versailles Treaty of 1918. England too believed it would still play a global role, even if it had to do so in a reconstructed Commonwealth rather than ruling over an outright empire. Even small powers, such as the Netherlands and Belgium, imagined they still had an extra-European role to play in the East Indies and Africa.

Such delusions soon faced harsh realities. French economic revival hinged on American support, but Washington had vastly different plans than Paris regarding German revival and the future of the French Empire. The other powers would similarly have to recognize that, in the incipient Cold War, the U.S. could dictate its divergent preferences on empire, the European role abroad, and economic protectionism. Moreover, in the Cold War of nuclear superpowers, it was clear that England, France, and Germany could only be minor players. They lacked the forces for conventional deterrence against a Soviet attack, and had no nuclear capabilities of their own in the late 1940s and early 50s.

Several concerns thus came to inform the preferences of the greater powers in Europe. Mindful that another great war would seal their fate, political leaders were willing to

entertain a variety of strategies to mitigate the chances of such a war breaking out. Intra-European conflict and the gross violations of human rights that accompanied the war needed to be avoided at all costs. Economic and military cooperation thus became inextricably linked, and were deemed necessary to vouchsafe democracy and the welfare of citizens. In addition, France, finding itself unable to block German rearmament, wanted an organization that would credibly bind Germany and curtail its potential ambitions. All states also wanted some American military guarantee to defend Europe, as well as American financial support for reconstruction. The answer to such quandaries increasingly seemed to lie in a more Eurocentric focus rather than a global orientation, and in closer cooperation between Europeans in economic and military affairs.

## **B. Early and Related Organizations**

European cooperation in the immediate post-war years took a wide variety of institutional forms, of which we will mention merely a few. Belgium, the Netherlands, and Luxembourg forged an economic organization in 1947 (BENELUX) aimed at the reduction of internal tariffs and the implementation of a common external tariff — a principle that would inform later integration at a larger scale. The Organization for European Economic Cooperation (OEEC), created in 1948, provided another forum for managing economic affairs. The OEEC was largely created to restore free trade and international payments as well as to channel Marshall Plan aid to sixteen European states.

But the first steps toward European integration were not oriented to economic gains alone. The massive suffering inflicted by genocide and human rights violations of an unprecedented scale inspired governments to seek the means to prevent any recurrence of

such events. The Council of Europe, formed with ten member states in 1949, established a Convention of Human Rights and a European Court of Human Rights to monitor and adjudicate grievances.<sup>1</sup> The novelty of the institutional arrangement lay in the supranational standing of the Court and the direct effect of the Convention. That is, individuals, once they had exhausted domestic remedies, could directly initiate proceedings through Council of Europe institutions.

Security concerns moved in tandem. Soviet encroachment on Czechoslovakia in 1948 and pressure on Poland, Hungary, Romania, and Bulgaria, propelled England, France and the Benelux countries to sign the Brussels Treaty, promising mutual aid against a common enemy. The Korean War accelerated American and European responses to prepare for the eventuality of a hot war on the European continent. Colonial commitments, however, particularly those of France in Indochina and of Britain in its overseas territories, overstretched their capabilities. Two views emerged in reaction. One perspective favored the integration of Germany into a West-European defense system, the European Defense Community (EDC), together with France, the Benelux nations, and Italy. An alternative view advocated the incorporation of Germany into the North Atlantic Treaty Organization (NATO). The French National Assembly failed to ratify the EDC agreement in 1954, thus foreclosing the first option. The Federal Republic of Germany and Italy thereupon signed the Brussels Treaty (creating the West European Union, or WEU), and German membership in NATO followed.

European integration thus constituted from the beginning a multi-dimensional process, driven by a variety of motives besides the prospect of economic gain. The desire for economic cooperation and the pursuit of efficiencies of scale meshed with the desire to create

stable democracies that respected inviolable rights. Common security concerns about the USSR, the need to tie Germany to West European defense, and (initially) the desire to prevent any revival of German militarism created an environment of mutual reliance and growing trust.

### **C. The Founding Institutions of the European Community**

While a variety of institutional arrangements emerged during the post-war period that facilitated closer integration, the actual European Union (initially called the European Economic Community) traces its roots to three organizations in particular. Their varied functions and institutional arrangements reflected the variety of objectives that the advocates of integration had in mind.

The European Coal and Steel Community (ECSC), created by the Treaty of Paris in 1951, included six states: the three Benelux countries, France, West Germany, and Italy. It aimed to regulate coal and steel production; reduce the internal tariffs hindering the trade in these products across borders; limit subsidies to these sectors; and establish a common external tariff. A supranational authority (the High Authority) would supervise the process. The idea of regulating coal and steel production meshed well with the French penchant for *dirigisme*, or government planning and intervention. Moreover, once again reflecting the security dimensions of the process, coal and steel were considered essential elements for any potential military buildup, suggesting the benefits for supranational monitoring of these sectors.

The Treaty of Rome established the European Atomic Energy Community (Euratom) in 1957. Euratom established a joint effort to develop the peaceful use of nuclear energy

within the six member nations, although France and Germany largely drove the project. France wished to mobilize German capital and know-how. The Federal Republic, conversely, wished to develop nuclear energy use, but could only do so within an international context so as to avoid arousing concerns with its wartime past. Efficiencies of scale also provided a sound economic rationale for cooperation. And without entrenched domestic bureaucracies, international cooperation was easier to come by than in other, more established sectors of the economy.

The Rome treaty also established the European Economic Community (EEC) proper, which would later become synonymous with the entire integration project. It aimed to achieve, first, a customs union – the reduction of internal tariffs and the creation of a common external tariff. Second, it targeted the issues of unfair competition and subsidies, and thus tried to begin the process that would lead towards a true common market.

### **III. EXPANDING THE MEMBERSHIP BUT NOT DEEPENING OF THE UNION (1965-1981)**

#### **A. Supranationality versus Veto Prerogative**

The Merger Treaty of 1965 brought Euratom, the ECSC, and the EEC together under the same Commission and Council of Ministers. The European Commission members sit independently of their national governments (as we will discuss shortly). The Commission is thus considered the more supranational of the two bodies. The Council of Ministers, by contrast, represents the member states. Ministerial representatives give voice to their own national preferences on the particular issue at hand. The Council thus operates as an

intergovernmental institution, a forum to debate and hopefully reconcile various national preferences.

The Merger Treaty not only brought various institutions together but also intended to advance the move to greater supranationality by expanding the authority of the Commission. Furthermore, a larger number of issues were to be decided by majority voting rather than consensus. In other words, countries might not be able to unilaterally preclude certain policy outcomes.

The French government, however, balked at the prospect of losing such veto rights. French insistence on national prerogative and autonomy clashed head-on with the supranational tendencies that some of the other EEC members were starting to display. The tensions between France and the other states reached a fever pitch, with France walking out of European deliberations for a period of six months (the policy of the empty chair). Without one of the founding states and one of the premier economies in Europe, the European project faced collapse.

A compromise solution emerged in January 1966 which was dubbed the Luxembourg Compromise. In reality, though, the compromise reflected a French victory. Majority voting would be practiced except on "important matters." The individual states, however, would determine what issues should be labeled as "important," and hence individual states retained a *de facto* veto right. In this sense, vertical integration, the move to greater supranationality rather than intergovernmental decision making, suffered a serious setback.

## **B. The Accession of New Members**

Horizontal expansion, that is, the enlargement of Community membership, proceeded in subsequent years. Most importantly, the United Kingdom now wished to join the organization. Initially, Britain's potential entry into the European organization had run into a variety of obstacles. First, with de Gaulle's return to politics, Britain had gained an adversary on the continent. De Gaulle's animosity to the British went back to the tension-filled wartime alliance between the Free French, Britain and the U.S. Moreover, the new Fifth Republic, created in 1958 in part to deal with the Algerian War and the instability of government since 1944 (France had 26 governments in that period), gave the executive considerably more power than its predecessor did.

Britain itself had its reservations. Some policy makers still saw England in a global role rather than a European one. Commonwealth connections were seen as a viable alternative to European enmeshment, and Britain perceived that it had special ties as well as responsibilities to its member states. Additionally, the special relationship with the U.S. gave Britain greater access to American security technology – a feature that at once oriented England towards the other side of the Atlantic and simultaneously irritated de Gaulle even more.

By the late 1960s, however, such conditions had changed markedly. Pompidou had succeeded de Gaulle in 1969. And, while a Gaullist, he did not have the same personal reservations about the British. The United Kingdom, too, had switched its preferences. The booming post-war reconstruction on the continent stood in stark contrast to the stagnating British economy. Ties to the Commonwealth could not substitute for greater access to



European markets. Thus, in 1973 the United Kingdom, together with Denmark and Ireland, entered the European Community.

The democratic revolutions sweeping Southern Europe in the 1970s would provide another impetus for membership extension, demonstrating again that political motives as well as economic ones drove European integration. Greece led the way. Previously ruled by a military junta, Greece had renounced its membership in the Council of Europe when it had been found guilty of egregious human rights violations. A democratic revolution in 1974 swept away the ruling dictatorship, a revolution partially inspired by pressure on the Junta by the EEC and the Council of Europe. Thus, although Greece was hardly economically compatible with the other nine members, it was granted membership status in 1981 to lock in the democratic transformation – a policy that would be repeated in the future, and that would have a bearing on later claims by post-communist countries for the same treatment.

### **C. The Key Importance of the Agricultural Compromise.**

Aside from the agreements to liberalize trade among the member states, a key component of European integration hinged on the Common Agricultural Policy (CAP), which originated in 1962. The agricultural sector feared that integration would lead to job losses and expose farmers to greater external competition. Traditionally a well-organized interest group, the agricultural sector still employed about 8 % of the population, and, in countries such as France, even more. Moreover, the farmers constituted a reliable constituency base for the center-right parties, who were also the ones most inclined to favor greater liberalization for finished industrial goods. These parties could thus ill afford to affront their loyal supporters by reducing protectionist measures in agriculture.

The cause of regional integration required thus a *quid pro quo*. Further integration and liberalization would particularly favor industrial leaders, such as Germany, which were competitive on the world stage. In exchange, European Community funds would be allocated to guarantee fixed prices for certain agricultural products. This would allow relatively inefficient small farmers to stay in business. The vast majority of the budget for the European Community (about three-fourths) went to this purpose.

The CAP, while politically attractive, of course created perverse economic effects. With guaranteed prices, producers had no incentive to take their cue from market signals, since governments would purchase products at fixed prices and create an artificial demand. Furthermore, guaranteed prices provided particularly significant profit margins for large-scale efficient producers, whose costs of production were considerably lower than the fixed market rate. As a result, the supply of certain goods, such as butter, outpaced private demand (with warehouses full of the product constituting the infamous "butter mounds," some of which were subsequently dumped at one-sixth the European market price in Eastern Bloc countries). Hence, because potential losers in the drive to integration needed to receive some compensation to make the European project politically viable, European cooperation led to undesirable economic outcomes in certain sectors.

#### **D. The Role of the European Court in Moving Integration Along.**

While French intransigence forestalled the move towards significant majority decision-making, and thus halted the drift toward supranationality in the Commission, the European Court of Justice (ECJ), in a manner reminiscent of the American Supreme Court's extension of its powers, gradually started to assert itself more actively in the integration

process. A few landmark cases, in particular, redefined the role of community law *vis-à-vis* national legislation.

In 1962 a Dutch transport company claimed that Dutch national tariffs infringed community law (Van Gend and Loos, case 26/62). The company claimed that such tariffs hindered the conduct of its business and that such legislation violated Article 12 of the Community Treaty that forbade EEC states to raise tariffs. The Dutch government argued that it was up to national courts to decide whether infringement of EEC law had taken place. In effect, the dispute thus came to revolve around the question of judicial competence. The Dutch position followed traditional international law: it is up to a domestic court to decide the relation between domestic law and international law. The ECJ, however, ruled against that interpretation. It held instead that, if Community law has direct applicability, the national courts need not interpret it. Individuals could directly appeal to Community law if the content of that law gave individuals certain rights or obligations. The case thus established the principle of "direct effect."

A subsequent ruling (Costa v. Enel 1964, case 6/64) added another key component of European law: the principle of "supremacy." In this case, the Italian government had nationalized a utility company, Edison Volta. A stockholder of the company opposed the nationalization and refused to pay his bill, arguing that the Italian action contravened Community law. The defendant, the Italian government, adhered to the dualist theory of international law: an international agreement needs to be transformed into national law by the government before it can have effect. Domestic law could supersede international law if it was of a more recent date. The ECJ held against the Italian government, and adopted the

monist position. International law directly affects national law and is of a higher order. It supersedes national law even if the latter is of a later date.

Despite these rulings, economic integration proved to be a long and arduous task. While formal barriers were being torn down, informal barriers prevented the creation of a truly integrated market. Article 30, for example, forbade the use of technical barriers to prevent the entry of other states' products into a country's market, but Article 36 allowed for domestic standards to be applied in cases that affected health and safety. A little creativity thus allowed governments to limit the entry of foreign goods by invoking health and safety standards that differed from those of the exporting country. Such non-tariff barriers (NTBs) forestalled any hopes to expedite the movement of goods. Harmonization seemed to require either greater involvement by Community institutions, dictating in detail what should become the common standard, or case-by-case intervention by the Court to establish in which cases national standards had violated the Treaty. Either solution would demand an incredible investment of time and work and would retard the move towards a common market and eventual economic union.

A landmark decision by the Court in 1979 (usually referred to as the Cassis de Dijon case, nr. 120/78) changed this situation by choosing a third option: mutual recognition. In this case, German authorities had prohibited the sale of Cassis, a French beverage, because it contained less alcohol than German strong liquor, but more alcohol than German beer. Citing health concerns, the German national courts sided with their government's position. The aggrieved German importer of Cassis then brought the case to the European Court. The Court held against the German government and applied "the rule of reason." In the absence of Community law, the Court would accept national standards or regulations if they could be

considered "reasonable." Thus it did not rule out the possibility of divergence between standards applied in different countries. However, constraints on the free movement of goods would only be permissible if there were "urgent needs" justifying them. In this case, the German government did not act reasonably, given that information on the label would have sufficed to inform the consumer. Moreover, the rationale of the standards would have to be measured against the importance of the free transport of goods in the Community. In essence this put the burden on the state imposing the constraints. When such constraints were not justified, governments had to mutually recognize fellow member's standards. Consequently, if a producer had satisfied standards in one country, the product would satisfy the standards of the other EEC members as well.

#### **IV. TOWARDS A REAL EUROPEAN UNION (1981-2000)**

##### **A. From Veto Prerogative to Qualified Majority Voting**

With the Luxembourg Compromise, the European integration effort had suffered a serious setback. Despite the horizontal extension of membership and the expansion of the European Court's domain in the 1970s, true integration required further vertical integration, and a move toward supranational decision-making. As long as individual countries could unilaterally veto policies that they deemed "important," national governments could avoid costly domestic adjustments. Some solution to the veto prerogative had to be found. By the 1980s, the move toward greater integration and supranationality started to pick up steam.

A coincidence of several factors made this possible. In France, Mitterrand's Socialist government faced considerable opposition to its attempts to implement traditional *dirigiste*

policies. As a consequence of capital flight and business opposition, Mitterrand came around to less interventionist policies. In Germany, the Christian Democrats had taken over the reins from their Social Democratic predecessors. And in England, Margaret Thatcher made no secret of her penchant for scaling back the government's role in the economy. In other words, like-minded political orientations started to emerge among the “big three.”

Additionally, increased international competition, particularly from Japanese products, and the poor performance of the European economy in the 1970s required a creative response. Closer cooperation between the European states and the intensified search for efficiencies of scale meant that integration had to be taken one step further. Members of the business community, such as Wisse Dekker of Philips, along with fellow leaders at Ford Europe and Fiat, started to urge their European governments for action. External pressure by foreign competitors thus complemented political convergence.

This move to closer union initially ran into problems. Britain objected to the erosion of sovereign prerogative and voiced its displeasure with the distribution of funds. It had, so argued the Thatcher government, paid in more than it had received – as it indeed had. In order to circumvent these problems, the proponents of further integration cut a deal with Thatcher which remunerated Britain and provided it with a more equitable “*juste retour*.” At the same time, France and Germany threatened with the prospect of a two-track Europe. If England did not want in, it would be left on the sidelines and France and Germany would proceed regardless. The prospect of exclusion, along the side-payments that Britain received, were sufficient to bring the Thatcher government around.

With these vestiges of resistance out of the way, the European member states signed the Single European Act (SEA) in 1986 and the Maastricht Treaty in 1992. Increased

qualified majority voting limited the veto power of individual states. (The Amsterdam Treaty of 1997 limited such veto opportunities even further.) The agreements aimed at further deepening the internal market, and promised free movement of goods, services, persons, and capital (Article 13). The European Parliament, which until then had led a shadowy existence beneath the more powerful Commission and Council of Ministers, was given expanded powers. This step would address the "democratic deficit," and the Parliament would gain greater leverage against the intergovernmental Council. To demonstrate the depth of reform, the European Community was to be renamed the European Union (EU).

It was not easy to proceed with the integration of capital markets and a common currency, but economic and monetary union undoubtedly would have benefits. According to the "optimal currency areas" argument, a uniform currency would lower transaction costs, increase cross-border investment, and enhance competition. However, the optimal currency argument holds only when one has economic uniformity throughout the region and mobility of labor. Neither condition holds true in the EU. In order to make the monetary union a reality, the member countries would have to rescind their national autonomy in the areas of exchange rate management and monetary policy, and facilitate the cross-border movement of labor, both politically touchy subjects. Nevertheless, a timetable was set for integration, with a common reserve bank and shared currency. The Economic and Monetary Union was created in 1999, with the establishment of a European Central Bank in Frankfurt (the ECB). A common currency, the Euro, will be introduced by 2002, after several years of operating as a unit of account. However, given the economic and political costs associated with a move

to a common currency zone with an independent central bank, only eleven of the current fifteen members have signed on so far.<sup>2</sup>

Free movement of people has proven no less controversial. The Schengen Agreement of 1985, and the Schengen Implementation Convention (which came into force in 1995), gradually diminish the border controls between the member states. Satisfaction of entry requirements in one state thus automatically gives a person access to any of the other member states. Again, not all countries have signed on. England and Ireland have "opted in" for only certain parts of the Schengen laws.

#### **B. Accession of New Members.**

Horizontal expansion is also still an ongoing process. As mentioned earlier, Greece had gained entry in 1981. Portugal and Spain, who also had seen democratic movements, gained access in 1986. The European Community thus came to consist of twelve members. But as more and more states joined the EC organization, the attraction for other states to gain access increased as well. Or, conversely, the costs for remaining outside of this regional organization went up as the club of free traders expanded. Countries that had originally been members of the European Free Trade Association (EFTA), which was the looser counterpart to the EEC, now wished to join as well.<sup>3</sup> In 1995, former EFTA members Sweden, Austria, and Finland joined the European Union.

The most recent requests for admission, by East European states as well as by states that were formally part of the Soviet Union itself, have followed the collapse of the Soviet Bloc.<sup>4</sup> Several of the East European states and the Baltic states are considered front-runners to become members of the EU. A Union consisting of twenty or even twenty-five states may



lie not too far in the future. And while not all these economies are as advanced as some of the West European ones, the logic of rewarding democratizing countries is not without historical precedent.

The Amsterdam Treaty (1997) meant to address this potential expansion, but largely failed to do so. The key stumbling blocks remain the weak economic backgrounds of the countries seeking admission and the institutional reforms required to accommodate these new members. The large states are particularly concerned that, in a new voting scheme, they might potentially be unable to block a coalition of smaller countries. As a French politician put it, the five largest states, with four-fifths of the EU population and economic production, might be outvoted by the other states. These new states also lack well-established capitalist institutions to enable their economies to mesh with those of the current members. The demands for horizontal expansion and institutional reform are likely to pose the toughest challenges for the EU in the coming years.

### **C. Current Institutions.**

The European Union consists of a variety of institutions, of which the Parliament, the Commission, the Council of Ministers, and the ECJ are the most important for policy-making. The European Commission consists of twenty representatives, which are appointed for five years by their member states. The “big five” (France, Germany, Italy, England, Spain) are each entitled to designate two representatives, while the other countries send one delegate. The Commission has a supranational character. Commissioners do not sit as representatives of their countries, but are supposed to have the interests of the entire Union at heart. The Commission is the primary initiator of EU legislation.

The European Parliament (EP) also has a supranational character. The representatives of the various member states sit as parties based on political position rather than as representatives of their member states. Thus Socialists are grouped together with their fellow European counterparts, as are Liberals, and Christian Democrats, and half a dozen other political parties. The number of parliamentary representatives that each country sends is weighted. Germany, France, the UK, and Italy each send 81 representatives, while Spain gets 60. The other states send significantly smaller numbers: the Netherlands 25 and Belgium, Greece, Portugal, 24. Sweden is entitled to 22 representatives, Austria 21, Denmark and Finland 16, Ireland 15, and Luxembourg sends six members.

The Council of Ministers, by contrast, is an unambiguously intergovernmental body. The ministers sit as representatives of their countries, with each country sending the minister that is competent on the issue at hand. The Presidency of the Council rotates every six months. The Council convenes only periodically (monthly or bi-weekly), when decisions on specific policy matters require its presence. Together with the EP, the Council reviews and decides on the legislative proposals from the Commission. The Council's permanent representatives (COREPER) do the day-to-day work. They reside full time at the EU institutions in Brussels and lack ministerial status.

The weighted voting procedures reflect the intergovernmental nature of the Council. France, Germany, Italy, and the UK, each have ten votes. Spain has eight. Smaller states, such as Belgium, Greece, the Netherlands, and Portugal, each receive five votes; Sweden and Austria each get four, while Denmark, Ireland, and Finland receive three. Tiny Luxembourg must make do with two. The total number of votes thus comes to 87. Since a qualified majority requires 62 votes, 26 votes suffice for a group of states to veto

legislation that is not to their liking. Intergovernmental bargains and logrolling may thus forestall policies in a manner not dissimilar to the veto-possibilities under the old Luxembourg Compromise. Even though simple unilateral obstruction is more complicated, voting alliances, when carefully crafted, can still serve to protect national interests. For example, two large states that share interests with an intermediate state, or with two small allies, will suffice to block much legislation that is not to their liking. The problem is more than theoretical. Germany and France have often cooperated on their European agenda. The Netherlands, given its economic interdependence with the German economy, has often moved with Germany on monetary issues. These three, plus one extra country (e.g., Belgium), might thus prevent policies from moving forward. Other coalitions, such as a Mediterranean one, say, oriented to protecting agricultural interests on subtropical products, are also conceivable.

The intergovernmental character of European integration is underscored by the meeting of heads of state or government, who meet twice a year in the European Council. This Council is not part of the formal institutional framework of the EU. Yet its presence has been critical in removing impediments to European progress. At decisive moments, such as during Thatcher's holdout on the Single European Act, or during the Maastricht negotiations, intervention by the highest levels of government has been necessary to move the process along. This has led some analysts to argue that the primary dynamic for European integration still resides with the respective national governments rather than with the supranational bodies in Brussels. These summits have been key ingredients of the EU's progression.

The European Court of Justice has one judge from each of the member states. The Court votes as a body without separate opinions. Judges are elected for six years by their respective countries, and are supposed to act independently. To ensure this, some have argued for extending the judges' terms to twelve years. To lighten the burden of the Court, the EU has also established a Court of First Instance. This court deals primarily with complicated technical issues, while the Court of Justice limits itself to questions of legal principle. The judicial activism of the 1960s and later years that kept the integration process from stalling during moments of intergovernmental disagreement has recently come under scrutiny, and there are signs that the Court is receding from its previous activist position.

## **V. THEORIES OF EUROPEAN INTEGRATION**

It is a common dictum in international relations that states are sovereign and thus juridically autonomous. Yet it should be clear from the narrative thus far that states in the European context have cooperated with each other, even to the point of surrendering some of their sovereign prerogatives. States that for decades had been locked in mutual antagonism and suspicion have kept the peace and moved towards an ever-closer union. What has motivated these states to do so?

A variety of key theories in the international relations literature have grappled with potential answers. Neorealists start with the assumption that states are unitary actors. Given that the international system is anarchic and lacks central authority, self-interested rationality dictates that states must be foremost concerned with their survival. Consequently, they calculate the relative gains likely to be realized by particular policies. Neorealists, therefore,

explain European cooperation by a common threat: the need to balance the Warsaw Pact. Moreover, the American security guarantee diminished tensions between the West European states themselves. Hence, West European states could more easily cooperate and focus on absolute gains rather than pursue relative gains *vis-à-vis* each other.<sup>5</sup>

Neorealists, furthermore, tend to emphasize the relative balance of power between the cooperating states. According to hegemonic stability theory, cooperation depends on the presence of a dominant state to overcome collective action problems and prevent the other states from pursuing short run self-interest. American leadership in security affairs, and regional leadership by Germany in economic affairs, are thus key ingredients of European integration.<sup>6</sup>

Neoliberals agree with their neorealist counterparts that states *a priori* have certain preferences. Contrary to neorealists, however, they see states as being largely propelled by the pursuit of economic gains. States, perceived as unitary actors, are more inclined to pursue cooperation, since such policies often lead to joint gains. Absolute gains from interaction rather than relative gains predominate in states' decision-making. Neoliberals would thus explain European regional integration as a product of the constant quest for economic gains to be achieved by reducing barriers to trade, by enhancing the free movement of labor, and by reducing of transaction and information costs that come with regional fragmentation and diversity. While some neoliberals might concede that the relative distribution of power matters, they do not consider it a necessary or sufficient explanation. The presence of a dominant actor might aid in the emergence of cooperative regimes, but hegemons are not essential for either the emergence or the continuation of cooperation.<sup>7</sup>

A third theoretical orientation takes issue with the unitary-state assumptions of neorealism and neoliberalism. Instead, scholars in this vein argue that one must disentangle the domestic forces and tensions behind particular policies. Various domestic actors might have security and/or economic concerns in mind, and one must inductively examine what their preferences are and how they try to advance them. The preferences of and calculations by political entrepreneurs and domestic actors are necessary components of any complete explanation.

One might thus explain the Single European Act by the convergence in political outlook of Mitterrand, Thatcher, and Kohl in the early 1980s. One could also argue, more generally, that political leaders focus on the provision of public goods so as to maximize their chances for re-election. Since expansion of the European market provided efficiency gains, political leaders had strategic incentives to supply such policies.<sup>8</sup>

Within this same approach one might combine the international systemic approach with domestic analyses. At the international level, pressure by the U.S. in the negotiation rounds of the General Agreement on Tariffs and Trade (GATT), and the rise of the Japanese economy, required a European response. At the domestic level, multinational companies wished to meet such competition by regionally integrating their operations and pursuing efficiencies of scale.<sup>9</sup>

In short, a variety of approaches in international relations theory have been fruitfully applied to the study of the EU. European cooperation, however, has also generated more narrowly-focused theories that are explicitly oriented toward explaining regional integration.

One such set of arguments traces its origins to Karl Deutsch's views on the impact of increasing interactions and communication. Deutsch argued that the growth of mobility and

the increasing volume of communications would diminish tensions and divisions between populations. The result would be a security community, a community of distinct units between which war had become obsolete. Such communities could amalgamate and become one (the United Kingdom, for example), or they could be pluralistic and retain their independence (e.g., Canada and the U.S.). In this sense, the European Union might be explained as a gradual shift from state anarchy to a pluralistic security community, which in the very long run might amalgamate.

Functionalist theory, advocated particularly by David Mitrany, also sees dynamic and increasing returns as a result of cooperation. But it does so largely from a technical perspective. Cooperation on one issue will lead to technical spillover in other areas. This will create a cascade of ever more cooperation in many areas previously not envisioned. For example, if one wished to liberalize trade in coal and steel, one would soon come to the conclusion that this also would require standardization of railroad gauges, working hours, safety standards, and so forth.

Neofunctionalism, particularly associated with the works of Ernst Haas and Leon Lindberg, emphasizes not only the result of technical spillover but also the political dynamics involved. Rather than assume some technological process of ever-increasing integration, one must ask whether there are political benefits for certain actors to advocate further integration. If this occurs, one has political spillover. Neofunctionalists realized that domestic interests and interventionist governments could halt technical spillover. In order to keep integration on track, one needs to create political groups and leaders who have an incentive to keep the process of regional cooperation going. Two such actors might be interest groups who benefit from further integration and supranational bureaucracies. The latter, as with all

bureaucracies, will seek to expand and increase their functions and budgets. Hence, from this perspective, the European Commission has a vested interest in constantly pursuing further integration.

Scholars have found merit in various elements of all these theories. In general, though, it seems fair to conclude that systems-level theories that take states as unitary actors, or process theories that look at long-term underlying dynamics, are better at delineating possible trends rather than particular policy decisions. For the latter one needs a more refined look at the internal dynamics within specific countries and the demands by private actors for further integration, coupled with an account of the strategic incentives facing politicians to ignore or cater to such demands. The broader systems and process theories fail to capture the aspects of individual agency, the multi-dimensionality of European integration, and the stop/go nature of such integration in the past decades.



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## APPENDIX

### WEB SITES OF MAPS AND RESOURCES RELEVANT TO THE EUROPEAN UNION AND ITS DEVELOPMENT

#### Archives:

##### **Historical Archives of the European Communities:**

<http://wwwarc.iue.it>

"Eurhistar" - This is the catalog of the archive collection of the European University Institute, in Florence, Italy. It includes bibliographic references (not the actual documents) to official works by such institutions as the EEC, the European Community's Economic and Social Committee, the European Coal and Steel Community, and the European Parliament.

#### **Common Agricultural Policy (CAP):**

<http://www.bized.ac.uk/search/seahome.htm>

Type in Common Agricultural Policy in search line to retrieve:

Summary description of the CAP; Britain and Agricultural Policy; How CAP Works; The Effect of CAP on Exports of Meat and Livestock; Cost of CAP- a description of how monies are raised from member states, etc.

**Council of Europe:**

<http://www.coe.fr>

Contains information about the structure and history of the Council, its 40 members, its work with the EU, and its main activities. Archive selections include deposits from the European Conventions and Agreements and the European Convention on Human Rights and the European Social Charter.

**Council of the European Union:**

<http://ue.eu.int>

European Union Presidency:

<http://ue.eu.int/en/presid.htm>

**Court of Auditors:**

<http://www.eca.eu.int>

**Court of Justice of the European Communities:**

<http://www.curia.eu.int>

**Court of Human Rights:**

<http://www.dhcour.coe.fr>

**Documentation Centers:**

[http://europa.eu.int/comm/dg10/libraries/edc/memberlinks\\_en.htm](http://europa.eu.int/comm/dg10/libraries/edc/memberlinks_en.htm)

Representations in Member States, in third countries:

[http://europa.eu.int/comm/index\\_en.htm](http://europa.eu.int/comm/index_en.htm)

CELEX:

<http://www.europa.eu.int/celex>

Information Society Project Office (ISPO):

<http://www.ispo.cec.be>

Community Research and Development Information Service

(CORDIS):

<http://www.cordis.lu>

#### **Delegation of the European Commission to the United States:**

<http://www.eurunion.org>

This is the site for the EU embassy in Washington. The "A to Z Index of EU Websites" is particularly useful. Also includes: EU Basics, EU Law and Policy, Member Countries, EU Offices and Services in the US, Research Tools, etc.

#### **Directory, Interinstitutional-- Who's who in the European Union:**

<http://europa.eu.int/idea/ideaen.html>

#### **Enlargement:**

**Enlargement of the EU:**

<http://europa.eu.int/comm/enlargement/index.htm>

Includes reports of the Enlargement Commission for each of the candidate countries, Draft Accession Partnerships, as well as other documents.

**Enlargement of the European Union:**

<http://files.fco.gov.uk/info/briefs/1586.pdf>

This is a paper prepared by the UK Foreign and Commonwealth Office in February 1999. It contains basic information on expansion, on the process of accession, and on countries seeking to join the Union (pdf format; Adobe Acrobat Reader required).

**Euro Site:**

<http://euro.eu.int>

**European Central Bank:**

<http://www.ecb.int>

**European Commission:**

<http://europa.eu.int>

The official site of the European Union. Includes information on the institutions and bodies of the EU, current events, documents, policies, and answers to questions. Also contains a section devoted to the Euro, accompanied by pictures of the currency.

Agencies and bodies related to the Commission include:

Agencies and Bodies (E.M.E.A., EEA, CEDEFOP, etc.):

<http://europa.eu.int/en/agencies.html>

Database on Inter-Institutional Procedures

<http://europa.eu.int/prelex/apcnet.cfm?CL=en>

European Continuous Tracking Survey (CTS)

<http://europa.eu.int/en/comm/dg10/infcom/epo/eo.html>

European Environment Information and Observation NETwork:

<http://www.eionet.eu.int>

Information Services

<http://europa.eu.int/geninfo/icom-en.htm>

Joint Research Centers

<http://www.jrc.org/jrc>

RAPID - the Spokesman's Service of the European Commission

<http://www.europa.eu.int/en/comm/spp/rapid.html>

Statistical Office of the European Communities

<http://europa.eu.int/eurostat.html>

Translation Center for the Bodies of the European Union

<http://www.cdt.eu.int>

**European Community Studies Association:**

<http://ecsa.org>

A site for EU studies composed by the U.S. organization. Includes helpful links to resources.

**European Investment Bank:**



<http://www.eib.org>

<http://www.bei.org>

### **European Parliament:**

<http://www.europarl.eu.int>

Information Offices

<http://www.europarl.eu.int/offices/en/default.htm>

Political Groups

<http://www.europarl.eu.int/groups>

Links to other Parliaments

<http://www.europarl.eu.int/dg4/cerdp/en/public/parlweb.htm>

### **European University Institute, Firenze:**

<http://www.iue.it>

### **Foreign Policy:**

#### **European Foreign Policy Bulletin Online:**

<http://www.iue.it/EFPB/Welcome.html>

Published by the Academy of European Law, European University Institute, Florence, Italy. This contains full-text official EU documents related to foreign policy from 1985 to the present. Includes declarations of the European Council and replies to oral and written questions in the Parliament as well as treaty texts.

**Glossary of Terms:****A to Z of European Terms and Acronyms:**

<http://www.ecu-notes.org/atoz997/atozfset.html>

**Glossary of EU Terms and Acronyms:**

<http://www.abdn.ac.uk/~pol028/sources/europe.htm>

Provides definitions and descriptions of acronyms, initiatives, institutions, policies, and various terms used in the EU. Includes cross-references within an alphabetical listing.

**Governments on-line:**

[http://europa.eu.int/abc/governments/index\\_en.html](http://europa.eu.int/abc/governments/index_en.html)

**History:****History of European Integration:**

<http://www.let.leidenuniv.nl/history/rtg/res1/index.htm>

Includes primary source, historical documents (though some links go to the official EU site). Also includes archives, histories, bibliographies, oral histories, statistical sources, timelines, and institutions.

**History of the European Union:**

[http://europa.eu.int/abc/history/index\\_en.htm](http://europa.eu.int/abc/history/index_en.htm)

Based on the General Report on the Activities of the European Union, includes a chronology covering 1946 to the present of the important accomplishments of the EU and its institutions.

**Integration:****EuroInternet:**

<http://eiop.or.at/euroint>

This is a guide to resources relevant to the study of European integration. Covers economic, political and social integration within the EU. Also features "The European Integration online Papers (EIoP): the first interdisciplinary, fully peer-reviewed online working paper series in the field of European integration research" and "The European Research Papers Archive (ERPA): the common access point and database with full text and keyword search-engine for a number of online working-paper series."

**Law:****Guide to European Legal Databases:**

<http://www.llrx.com/features/europe2.htm>

This article provides information on finding, through the Internet, legal resources in Europe, including European Union law. It is organized by country and by topic (e.g., constitutions).

**Local and Regional Authorities of Europe, Congress of:**

<http://www.coe.fr/cplre>

**Maps:**

**Comité Européen des Responsables de la Cartographie (CERCO):**

<http://www.cerco.org>

An effort to unify national mapping efforts for the benefit of the entire EU.

**Enlargement of the EU:**

<http://www.euractiv.com/cgi-in/eurb/cgint.exe/13066?1100=1&204&OIDN=500431>

Map of current and possible future EU member states. "In the future, you will be able to click on each of the 13 candidate countries to access political, economic and statistical data on them, as well as overviews of accession negotiations and their negotiation positions" (8/00).

**European Umbrella Organization for Geographic Information**

**(EUROGI):**

<http://www.eurogi.org>

Commissioned by the EU "to develop a unified European approach to the use of geographic technologies."

**European Union Map:**

<http://s700.uminho.pt/ec.html>

On this simple map, click on the desired flag to connect to another site which includes country maps.

**European Union Map Resources on the Web:**

<http://www.libsci.sc.edu/bob/class/clis734/webguides/map1.html>

Under "Individual Country Sites," provides descriptions of home pages of national mapping agencies per EU member. Most, though not all, include actual maps.

**Maps of Europe:**

[http://www.lib.utexas.edu/Libs/PCL/Map\\_collection/europe.html#N](http://www.lib.utexas.edu/Libs/PCL/Map_collection/europe.html#N)

Online (mostly CIA) maps from the Perry-Castañeda Library Map Collection of the University of Texas. Listed by country. Historical and recent maps.

**What is the European Union? 15 Member States and Maps:**

<http://europa.eu.int/en/eu/states.htm>

Provides a basic map for each separately listed member state.

**World Factbook (Central Intelligence Agency):**

<http://www.odci.gov/cia/publications/factbook/index.html>

Provides country information and maps for all countries of the world.

**Municipalities and Regions, Council of European:**

<http://www.ccre.org>

**NATO, North Atlantic Treaty Organization:**

<http://www.nato.int>

**NATO and European Integration:**

[http://www.state.gov/www/regions/eur/nato/9904\\_nato\\_brochure.html](http://www.state.gov/www/regions/eur/nato/9904_nato_brochure.html)

Includes historical information on "European Economic Recovery and European Integration"; "American Military Involvement in Western European Reconstruction and Security"; "The Western European Union and the Origin of the Atlantic Alliance"; and "Drafting the North Atlantic Treaty, October-December 1948."

**News:****EurActiv Portal on EU Affairs:**

<http://www.euractiv.com>

News on and policy positions of EU actors.

**Week in Europe:**

<http://www.cec.org.uk/pubs/we>

The United Kingdom Offices of the European Commission publishes *The Week In Europe* every Thursday. It provides a summary of political, economic, and social events in the European Union. The articles are full-text and cover from January 1996 to the present.

**OECD, Organization for Economic Co-operation and Development:**

<http://www.oecd.org>

**Publications:**

**Office for Publications – EUR-OP:**

<http://eur-op.eu.int>

Eudor – European Document Delivery Service:

<http://www.eudor.eu.int>

Official Journal, Treaties, Legislation – EUR-Lex:

<http://europa.eu.int/eur-lex>

**Regions of the European Union, Committee of the:**

<http://www.cor.eu.int>

**Research:****Euroguide to the European Union:**

<http://www.euroguide.org>

Acts as a browser to web sites. Contains 60 subject headings for finding authoritative web sources about the EU.

**Treaties:****Historical:**

<http://europa.eu.int/abc/obj/treaties/en/entoc.htm>

Includes:

- 1) Treaty establishing the European Atomic Energy Community ("Treaty of Rome," signed in Rome on 25 March 1957)

- 2) Treaty establishing the European Coal and Steel Community ("Treaty of Paris," signed in Paris on 18 April 1951)
- 3) Treaty establishing the European Community ("Treaty of Rome," signed in Rome on 25 March 1957)
- 4) Treaty on European Union, (signed in Maastricht on 7 February 1992)

**Current:**

<http://europa.eu.int/eur-lex/en/treaties/index.html>

Consolidated versions incorporating the changes made by the Treaty of Amsterdam, signed on 2 October 1997:

- 1) Treaty establishing the European Community (PDF format). *Official Journal*, C 340, 10.11.1997, pp. 173-308.
- 2) Treaty on European Union (PDF format). *Official Journal*, C 340, 10.11.1997, pp. 145-172.

<http://europa.eu.int/scadplus/leg/en/s50000.htm>

A comprehensive guide to the Treaty of Amsterdam. Contains background information, analysis of its impact on issues such as human rights and international security.



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## ENDNOTES

<sup>1</sup> The council now has 40 members.

<sup>2</sup> For a theoretical discussion of the move towards monetary union, see McNamara, Kathleen. *The Currency of Ideas*. Ithaca, NY: Cornell University Press, 1998.

<sup>3</sup> A free trade association aims to limit tariffs between member states. A customs union does so as well, but also has a common external tariff. A common market goes yet one step further by adding the free movement of labor and capital. Economic union has the same features as a common market but also harmonizes economic, social, and monetary affairs.

<sup>4</sup> Cyprus is also on the waiting list. Turkey has had a long-standing desire to join as well, but given the nature of its authoritarian political regime in the past, and the condition of its economy, it has been refused entry so far.

<sup>5</sup> See Grieco, Joseph. "The Maastricht Treaty, Economic and Monetary Union and the Neo-Realist Research Programme." *Review of International Studies* 21 (1995): 21-40..

<sup>6</sup> For a discussion of various theoretical approaches, see George, Stephen. *Politics and Policy in the European Community*. Oxford: Oxford University Press, 1996; and; Nelsen, Brent and Stubb, Alexander, eds., *The European Union: Readings on the Theory and Practice of European Integration*. Boulder, CO: Lynne Rienner, 1994..

<sup>7</sup> The argument is made most explicitly in Keohane, Robert. *After Hegemony*. Princeton: Princeton University Press, 1984..

<sup>8</sup> This argument is made in Mattli, Walter. *The Logic of Regional Integration*. New York: Cambridge University Press, 1999.

<sup>9</sup> See Sandholtz, Wayne and Zysman, John. "1992: Recasting the European Bargain." *World Politics* 42, no. 1(1989): 95-128.