1 The History and Development of the European Union

Setting the Scene

In 2011, Greece, a long-term member of the European Union (EU) and the single European currency (the Eurozone) was on the verge of bankruptcy. After many long, heated and controversial debates at 'Euro-rescue-summits', the EU and the European Central Bank agreed a rescue plan to 'bail out' Greece. Under the plan, Greece was relieved of a debt in the region of €200 million but in turn would have to drastically cut public spending by removing jobs and public services as well as increasing taxes. On 1 November 2011 the Greek Prime Minister, George Papandreou, announced that the bail-out plan would be put to a national referendum, allowing the Greek people to agree to the austerity measures to be imposed upon them. The EU leaders reacted with horror; under pressure from France and Germany, Papandreou cancelled the referendum on 4 November 2011. He subsequently resigned.

1 INTRODUCTION

European integration is not per se an anti-poverty project, yet poverty – both individual and social – was one problem to which integration was the answer. It is hard to imagine the desolate and desperate conditions that prevailed throughout Europe after the Second World War. Even in the countries that won the war, millions of people were hungry and homeless, with no means to provide for themselves or their dependants. In the UK, basic commodities were in such short supply that rationing had to be introduced after the war. Movement was difficult as roads and railway networks were largely destroyed. The need to address this devastation was one major reason why, five years after the end of the war, on 6 May 1950,[1] six European nations – France, West Germany, Italy, Belgium, the Netherlands and Luxembourg – signed an agreement to pool coal and steel resources in a new organisation: the European Coal and Steel Community (ECSC). It has been said that the journey towards 'an ever closer union' between the peoples of Europe began on that day.

The Greek bail-out and the UK decision to leave the EU[2] indicate both how far European integration has travelled and the limits of European integration. The demise in the memory of this shared desperation is perhaps why the question of UK membership took root in British politics at all. The background to the emergence of this question was the distrust in economic management and resentment towards EU and global migration that emerged during the Eurozone crisis. The Eurozone crisis, like Brexit,[3] threatened to split the EU and end integration. However, both the EU and the euro have so far survived these crises, suggesting that after just seven decades of cooperation a solid foundation underpins EU integration. For all the posturing and controversies, be they social (migration and immigration), economic (the Euro) or political (Brexit and the resurgence of right-wing populism), there is a firm commitment across Europe to this process. The unity of the twenty-seven member states since the UK Referendum in 2016, has been a striking feature of Brexit and shows once again that when threatened with *dis*-integration, the EU member states will stand firmly together.

This chapter will explore why this is so. It will provide a background to European integration, from the creation of the ECSC and the European Economic Community (EEC or the 'Community') to its evolution into the present-day EU and European Economic Area (EEA). Klaus Patel describes the EEC as 'a fragile latecomer in an already densely populated field of international organisations'.[4] International cooperation can be

[1] Since the Milan Summit in 1985, 9 May is celebrated as 'Europe Day'.
[2] For the full set of the 2016 EU referendum results, see www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/past-elections-and-referendums/eu-referendum/electorate-and-count-information.
[3] For explanation and analysis of Brexit, see https://ukandeu.ac.uk/about-us/ and www.bbc.com/news/uk-politics-32810887.
[4] Kiran Klaus Patel, *Projekt Europa: Eine kritische Geschichte*, C. H. Beck, 2018, pp. 15–16.

described as a 'warren'[5] with no single pattern for European integration: it can be intergovernmental (Council of Europe, 1947) or supranational (EEC/EU, 1957): a supranational entity can make legally binding and administrative decisions that have immediate effect within the member states, without these having to be implemented in national law.[6] Integration can focus on one area such as the Eurozone (currency) or Schengen (migration); cover a broad range of activities (EEC/EU); or focus only on free trade (European Free Trade Association – EFTA). Integration can even be multilevel, as in the EEA which facilitates EU and EFTA collaboration. All modes overlap as member states join many different organisations.

There is much that can be said on this topic but I will focus on three things: first, patterns of post-war regional cooperation, of which the EEC/EU is just one example; second, the enlargement of the EEC, and saw it grow from six members in 1957 to an EU of twenty-eight member states in 2013; and third, the process of Treaty reform and development from the Treaty of Rome in 1957 to the Rome Declaration in 2017[7] and the Future of Europe conference in 2021.

Reflection

What are the key achievements of the EU? What were the main reasons for Brexit?

2 POST-WAR REGIONAL COOPERATION: FROM THE CEEC TO THE EEC

The 'state' is a political construct that has emerged over time to organise 'imagined communities'[8] into a nation. City-states (such as Florence in Italy) with their own government, economic, police and justice institutions, flourished for many centuries under the leadership of powerful families, such as the Medici, until they came together to form a nation state. Since the sixteenth century, the nation state has been the dominant form of political, economic and social organisation in Western Europe. While currently the most dominant, it should be recognised that it is just one possible location of sovereign, or ruling, authority. Indeed, devolution in the UK to the Parliaments in Scotland and Northern Ireland, and the Welsh Assembly clearly illustrate that sovereignty does not only belong to the nation state.

Despite centuries of trans-Atlantic slavery, imperialism, colonial wars of conquest and apartheid, only with the Second World War did the dangers and limits of the nation state crystallise – the violence and mass destruction carried out in its name between 1939 and 1945 finally raised questions about the legitimacy of this form of political organisation. To

[5] Ibid. p. 16.
[6] Ibid. p. 23.
[7] www.consilium.europa.eu/en/press/press-releases/2017/03/25/rome-declaration/pdf.
[8] Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, Verso, 2006.

many Europeans the nation state was a failure: it had not defended or protected its citizens and had repeatedly brought about war rather than stability. What was its use? In particular, what was its future – could it sustain peace in Europe, especially when the Allied occupation of Germany and management of the German economy came to an end? The experience of war suggested that the nation state promoted its own self-interest and thus endangered rather than sustained peace.

In order to secure peace, a more cooperative form of political organisation – in particular one that prioritised mutual cooperation – was needed. Thus, *regional* cooperation became a practical answer to pressing social, economic and geopolitical issues in Europe. As European states retreated from the lands they colonised, losing easy and cheap access to vital raw materials, they turned more to each other and sought ways to reduce the costs of trade and business at home. The creation of a *supra*-national entity in specified areas was a practical means to reconstruct the European continent.

However, regional cooperation did not signify the disappearance of the nation state. On the contrary, it has been convincingly argued that it 'rescued' the nation state. According to Milward, the EEC and the process of European integration, was:

> A part of that post-war rescue of the European nation state, because the new political consensus on which this rescue was built required the process of integration, the surrender of limited areas of national sovereignty to the supranation.[9]

Regional cooperation, or the creation of a supranational organisation encompassing the nation state, is not confined to Europe.[10] The ECSC, created by the Treaty of Paris in 1950,[11] is just one of many international organisations created after the war to coordinate reconstruction and growth of sovereign nation states.[12] For example, it was preceded in 1947[13] by the Committee of European Economic Cooperation (CEEC) and in 1948 by the Organisation of European Economic Co-operation (OEEC). These three organisations illustrate the different levels of cooperation in existence at the time to promote regional reconstruction. Together, they paved the way to the EEC, EFTA, the EU and the European Economic Area (EEA).

i. The CEEC

The CEEC was created in 1947 with a single goal: to coordinate the requests of all countries seeking aid from the United States offered under the Marshall Plan. The Marshall Plan was a package of financial aid from the United States to Europe, announced in June 1947, on the

[9] Alan Milward, *The European Rescue of the Nation State*, 2nd ed., Routledge, 2000, pp. 3–4.
[10] The Council for Mutual Economic Assistance (CMEA) (1949) comprised Bulgaria, Czechoslovakia, the GDR, Hungary, Poland, Romania and the USSR, Mongolia, Cuba and Vietnam; the Economic Community of Central African States (UDEAC) comprised Zaire, Gabon, Cameroon and the Central African Republic; in West Africa, the Communauté Economique de l'Afrique de l'Ouest (CEAO) (1973) comprised Cote D'Ivoire, Mali, Mauritania, Niger, Senegal, Burkina Faso and Benin; in South Africa, the Southern African Customs Union (SACU) (1969) comprised Botswana, Lesotho, Swaziland and South Africa. See Ali M. El-Agraa (ed.), *The European Union: History, Institutions, Economics and Policies*, 5th ed., Prentice Hall Europe, 1998, p. 7.
[11] The Treaty of Paris had a lifespan of 50 years; the Treaty of Rome was left open-ended.
[12] Between 1951 and 1960, the number of international organisations worldwide grew from 832 to 1255. See Patel, 2018: 17 and generally for further details on regional integration.
[13] The Council of Europe, also created in 1947, will not be discussed further here.

eve of the beginning of the Cold War. It was designed to enable Europe to revive a working economy 'so as to permit the emergence of political and social conditions in which free institutions can exist'.[14] Between 1948 and 1952, the United States invested billions of dollars in the reconstruction of Western Europe. However, the United States also gained – Marshall aid and European unity were an effective route for the transfer American goods, political organisation, production methods and consumer behaviour to Europe.[15] Much of the money went 'back to the United States for the purchase of food, raw materials and capital goods' thereby stimulating the US economy as well as European recovery.[16]

Participation in the CEEC was international – it included the neutral countries of the Second World War (Ireland, Sweden and Switzerland) as well as Austria, the UK, France, Belgium, the Netherlands, Luxembourg, Italy, Portugal, Greece, Turkey, Denmark, Norway and Iceland.[17] Eastern European countries, including the Soviet Union, were also invited to participate, and the Czech Republic initially accepted but later withdrew when the Soviet Union declined to join.[18] The CEEC was a traditional international organisation that existed solely to facilitate aid cooperation. It operated upon the basis of traditional notions of sovereignty and did not affect the autonomy of each participating nation state – each nation formulated its own goals for recovery which were compiled in a single financial request submitted to the United States via the CEEC.

ii. The OEEC

Another new international organisation, the OEEC[19] was created in 1948 to distribute the Marshall Plan aid[20] and supervise a programme of trade liberalisation.[21] Like the CEEC, the OEEC focused on facilitation of coordination: before receiving aid, each member country was required to sign an individual Letter of Intent and a Bilateral Agreement containing various reciprocal obligations.[22] The OEEC also did not encroach upon national autonomy, which may explain why so many states were keen to join it, yet so few sought to join the ECSC. The OEEC was especially important for West Germany: it was the only international organisation on which it sat as a full member and interacted on a basis of equality.[23] While it may be hard to imagine now, in the late 1940s this international cooperation generated a great deal of optimism and hope for the future during an otherwise bleak period. An article in the London *Times* noted in 1949 that:

[14] John Killick, *The United States and European Reconstruction 1945-1960*, Keele University Press, 1997, ch. 8, p. 81.
[15] Ibid. p. 167; Derek H. Aldcroft and Anthony Sutcliffe (eds.), *Europe in the International Economy: 1500–2000*, Edward Elgar, 1999, p. 188.
[16] John Kenneth Galbraith, *The World Economy Since the Wars: A Personal View*, Sinclair-Stevenson, 1994, p. 160.
[17] Henry Pelling, *Britain and the Marshall Plan*, Macmillan Press, 1988, pp. 12–16.
[18] Paul Kapteyn, *The Stateless Market: The European Dilemma of Integration and Civilisation*, Routledge, 1996, p. 51.
[19] Paul Henri Spaak, PM of Belgium, was its first chair. It is now known as the Organisation for Economic Co-operation and Development (OECD) and focuses on global liberalisation.
[20] It also streamlined and screened future annual requests. Pelling 1988, p. 53; Aldcroft and Sutcliffe 1999, p. 187.
[21] Milward 2000, p. 132.
[22] Pelling 1988, p. 34.
[23] Ibid. p. 107.

> When the cooperative efforts of the last year are contrasted with the intense economic nationalism of the inter-war years, it is surely permissible to suggest that the Marshall Plan is initiating a new and hopeful era in European history.[24]

iii. The ECSC

It was the intensity of coordination that made the ECSC different. The ECSC was set out in the Schuman Plan, which promoted the idea of a 'United States of Europe' where governmental power was distributed between different levels of political administration. This was the idea of Jean Monnet, a French minister who had spent time in the United States and was deeply influenced by American federalism.[25] The Schuman Plan created a coal and steel community that would not be under the control of any single state, but be managed by a 'High Authority' – that is, a '*supra*national' body which would be independent of member governments yet take decisions that would be binding upon the member governments. The High Authority would have authority to control prices, investment, cartels, external tariffs, taxation, transport and labour. Thus, unlike the intergovernmental coordination that characterised the CEEC and OEEC, the ECSC would affect the sovereignty of the participating states by acting on a supranational basis with decisions taken beyond the nation state.

The ECSC was an unprecedented experiment.[26] Its core supranational element, the High Authority, prompted a variety of reactions. As the ECSC was similar to the Benelux customs union created by Belgium, the Netherlands and Luxembourg in 1948,[27] these countries, together with Germany and Italy, accepted the proposal despite not surrendering all national sovereignty.[28] Outright opposition was voiced by the Scandinavian countries, Switzerland, Portugal and the UK[29] – the UK was twice invited to join the ECSC (in 1950 and 1953) but declined.

Ultimately, the ECSC did not take Europe much beyond traditional intergovernmentalism – the High Authority was unable to exercise the powers conferred on it: 'it could annoy, harass, and threaten but it lacked the enforcement machinery to inflict much real pain. Supranationalism in practice was a paper tiger.'[30] This may be because by the time it was created, it was seen to address a 'non-problem':[31] the Franco-German conflict over European coal and steel had reduced and these products had lost their strategic importance due to cheap coal imports from the United States and oil from the Middle East.

Nonetheless, the ECSC brought about important transformations in terms of political relationships and models of regional economic organisation. First, it contributed to the

[24] Ibid. p. 54. See also pp. 103–5. American disappointment gave rise to plans to establish a European defence organisation, which ultimately failed due to French refusal of German rearmament.
[25] Killick 1997, p. 143. The speech that Schuman read was written by Monnet (John Gillingham, *European Integration 1950–2003: Superstate or New Market Economy?*, Cambridge University Press, 2003, p. 22).
[26] Bruno de Witte, 'The European Union as an International Legal Experiment', in Gráinne de Búrca and Joseph H. H. Weiler (eds.), *The Worlds of European Constitutionalism*, Cambridge University Press, 2011.
[27] Aldcroft and Sutcliffe 1999, p. 205.
[28] Belgian Foreign Minister Paul van Zeeland disagreed with Monnet on the level of national autonomy that had to be relinquished to regulate coal. Milward, 2000, p. 65; Gillingham 2003, p. 27.
[29] Pelling 1988, p. 126.
[30] Gillingham 2003, p. 32.
[31] Ibid. p. 23.

rehabilitation of West Germany in European affairs: there was no repeat of its 'pariah' status suffered after the First World War. On the contrary, West German participation was crucial – it was 'the core of the system' and 'quickly became the most important supplier and also the most important market for most other western European countries' with all other countries exporting more to West Germany than anywhere else.[32] Yet West Germany exported more to the rest of the world than to its neighbours. Germany continues to be the strongest economy in the EU.

Second, the ECSC established the idea of common markets, integration and independent international bodies in the public mind[33] and so was an important precursor to the EEC. Nonetheless, the EEC was so radical that it stimulated competition in the organisation of regional cooperation – a similar body, EFTA, which was created in 1960 to challenge it.

iv. The EEC and EFTA

It should by now be clear that there is no single model for regional cooperation: it can include or exclude anything that participants agree to accept. Political cooperation can be intergovernmental or supranational or have elements of both. The scope of economic cooperation can include primary products alone (raw materials like coal, energy, agricultural produce) or manufactured products (such as toys, cars, mobile phones, computers) or both.

The EEC was an extremely ambitious form of regional organisation: as Figure 1.1 shows, it took regional cooperation to a new level of integration by both expanding the scope of activity beyond raw materials and deepening the political ties between cooperating states. It included a customs duty as well as the creation of a 'common market' in a range of sectors including agriculture, goods, services, transport and capital. The aims of the EEC were purely economic: the Common Market included the elimination of customs duties and quantitative restrictions on imported and exported goods; the establishment of a common customs tariff and common commercial policy; the achievement of free movement for persons, services and capital; the adoption of the Common Agricultural Policy (CAP), common transport policy and common competition policy; coordination of economic policies and legal harmonisation; and the creation of the European Investment Bank. Just two social goals were listed: the creation of a European Social Fund and promotion of economic and social development overseas.[34]

Having formed their own customs union ten years earlier, the Benelux countries had few concerns about an EEC customs union – this simply meant that products would not be taxed when crossing the borders of those within the union. France, however, feared a customs union would flood the country with foreign products and reduce it to a 'European backwater'. France therefore only agreed to the removal of protections for industrial products in return for its preferences being met in agricultural policy[35] – the EEC incorporated the French agricultural policy of high import duties and high export subsidies. Under

[32] Milward 2000, pp. 134–5.
[33] Gillingham 2003, p. 26.
[34] Art. 3 EC (Treaty of Rome). Compare with the goals listed in Art. 3 TEU.
[35] Kapteyn 1996, p. 56. The agricultural vote was especially important in France, where 30% of the active labour force (7.5 million persons) worked on the land. Milward 2000, p. 244, citing M. Pierre Pflimlin.

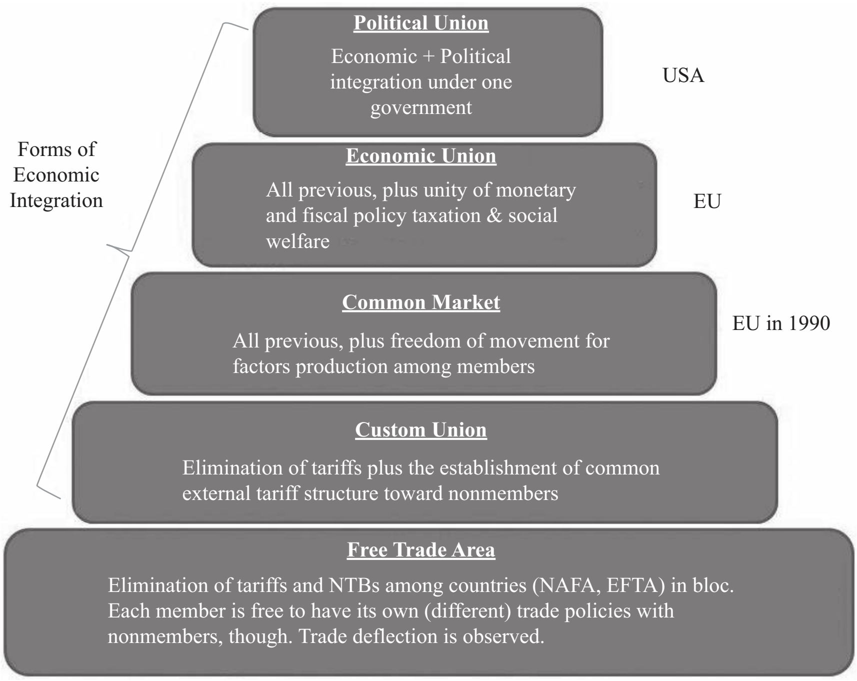

Figure 1.1 Forms of economic integration
Adapted from *The European Union*, 9th ed., Cambridge University Press (El-Agraa, A. M. (ed.) 2011) p. 2. Reproduced with permission of the Licensor through PLSclear.

the controversial CAP – 'the giveaway programme for farmers'[36] – farming and related activities were protected and the costs of this protection were shared by the EEC members. Germany was prepared to pay for this because in return it gained a guaranteed market for its thriving industry.[37] From the beginning therefore, European integration was based on a balance of often diverging national interests.

The Common Market was to be created by the 'removal' of national borders which acted as barriers to trade. Economic integration can proceed using one of two basic methods: (a) the removal of borders and establishment of a single standard (harmonisation), or (b) reducing the impact of borders so that there is equal treatment despite different standards (non-discrimination). Harmonisation means that the same rights are enjoyed by all throughout the Common Market area: rights are equal because they are the same. Non-discrimination retains the distinctive rights of each country (as territorial rights) but allows non-nationals to have equal access to these rights and therefore enjoy the same rights.[38] The EEC Common Market envisaged in the 1957 Treaty of Rome prioritised harmonisation but this has since been replaced by non-discrimination.

36 Gillingham 2003, p. 81.
37 Kapteyn 1996, p. 57.
38 F. V. Meyer, *The Seven: A Provision Appraisal of the European Free Trade Association*, Barrie and Rockliff with Pall Mall Press, 1960, p. 3.

Rather than just reject the harmonisation vision of economic integration in the EEC, in 1960 its opponents created a competing organisation – EFTA. The key organiser of EFTA was the UK. Although the UK rejected the invitation to join the ECSC and the EEC, it did recognise the benefits of economic integration. However, for the UK, economic coordination needed to be organised in a way which did not disturb its interests in the larger Commonwealth or reduce its position in the world.[39] The organisational concern lay in both the scope and method of coordination. The UK preferred cooperation to focus on manufactured goods only – a common policy for agriculture (as seen above a fundamental interest for France), was out of the question – and a looser form of coordination that emphasised non-discrimination rather that harmonisation.

The UK proposed an alternative free trade area with these features to rival the EEC. This idea did garner support from most OEEC members, but negotiations stalled over the issue of agriculture. Nonetheless, in 1960 seven OEEC countries – Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the UK– signed the Convention of Stockholm to create a separate community, The European Free Trade Association or EFTA.[40]

The goals of EFTA largely mirror those of the EU and focus on the strengthening of trade and economic relations: free trade in goods; progressive liberalisation of free movement of persons (who are economically active), services and of investment; establishment of fair competition; and protection of intellectual property rights and the opening of public procurement markets of the member states. However, EFTA shares none of the supranational aims of the EEC: it focuses on the removal of tariffs, quotas and export duties – it was a scheme of 'mutual non-annoyance'.[41] 'Mutual non-annoyance' means that states *reduce* the relevance and impact of the border. By removing rules that interfere with trade, especially tariffs and fees pushing up product prices, states can cooperate with each other for mutual benefit. 'Mutual non-annoyance' does not *remove* the national frontier, nor require any harmonisation of standards and policies.

Just as with entry to the EU, the first step to EFTA membership begins with an application to the organisation: under Article 56 of the Convention, any state may join EFTA with approval of the EFTA Council and, as a joining state, must apply to become a party to any of the EFTA free trade agreements. However, unlike the Rome Treaty, the Treaty of Stockholm contains an exit clause: under Article 57, any member state may withdraw, giving just twelve months' notice in writing. Given the numerous exits from EFTA following the UK departure, it is now much smaller – the four current members are Norway, Iceland, Liechtenstein and Switzerland.

As a smaller organisation without any broad economic or political ambitions, EFTA has fewer institutions than the EU: beyond the original EFTA Council, there is the EFTA Committee and the EFTA Tribunal. The EFTA Council remains the most important political body – it is responsible for law and policy-making, oversight of the application of the Convention, dispute resolution and accession negotiations. To exercise its powers, it may take decisions binding on all of the member states. Unanimity is required for any action.

39 El-Agraa 1998, p. 6.
40 Finland joined in 1961, Iceland in 1970.
41 Meyer 1960, p. 45.

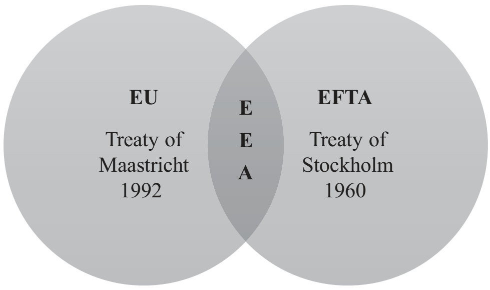

Figure 1.2 The European Economic Area (EEA)

EFTA met the disparate needs of its members: the UK was able to maintain its leadership position in Europe and the Commonwealth; Austria and Switzerland were able to participate in trade liberalisation without threat to their neutrality or sovereignty; and Portugal, Denmark, Norway and Sweden gained a more flexible structure for their existing trade relations with the UK.[42] EFTA was initially so successful that it became a competitor to the EEC.[43] Yet, by 1963, competition between the EEC Six and EFTA Seven was crumbling: the UK – the nucleus of EFTA – had applied to join the EEC along with two other EFTA members – Denmark and Ireland.

After decades of parallel existence, the EU and EFTA joined together in 1994 to create a single market area known as the European Economic Area (EEA) (see Figure 1.2). There was already much overlap before this formal agreement was reached but it is important to note that only three EFTA states joined the EEA. Switzerland remains outside the EEA and has established direct bilateral relationships with the EU – for example, in relation to free movement of persons. With Brexit, there are now thirty 'contracting states' in the EEA (the 'EEA–EFTA states' – Norway, Iceland, Liechtenstein – plus the twenty-seven EU states). As a forum of meta-integration in the EU, it is impossible to apply for membership of the EEA – entry is solely via the EFTA or the EU.

The EEA Agreement covers all policy areas of the EU single market: the four freedoms (goods, services, persons and capital), competition and state aid rules, horizontal (e.g. consumer protection, environment, social policy and statistics) and flanking policies (research and development, education, training and employment, tourism, culture, civil protection, enterprise, entrepreneurship, and small and medium-sized enterprises) as well as social welfare and benefit rights (within the EEA, there is equal treatment for citizens and economic actors).

The main EU policies *excluded* from the EEA Agreement are the CAP, the Customs Union, Common Trade Policy, common foreign and security policy (CFSP) and justice and home affairs (JHA). In addition, the euro and EU citizenship are beyond the scope of the EEA – there is no EEA common currency and there are no EEA citizens. However, any EFTA state may opt into these policy areas – Norway has, for example, opted into the policy field of JHA and CFSP.

[42] Christopher Preston, *Enlargement and Integration in the European Union*, Routledge/UACES, 1997, p. 26.
[43] Gillingham 2003, ch. 3.