

TOWARDS EUROPEAN INTEGRATION: FRANCE, GERMANY AND
THE UNITED KINGDOM

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THE UNITED KINGDOM

By

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A Thesis

Submitted to the School of Graduate Studies

in Partial Fulfilment of the Requirements

for the Degree

Master of Arts

McMaster University

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MASTER OF ARTS (1993)
(Political Science)

McMASTER UNIVERSITY
Hamilton, Ontario

TITLE: Towards European Integration: France, Germany
and the United Kingdom

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NUMBER OF PAGES: vii, 205.

ABSTRACT

In 1973, the United Kingdom entered the European Community, joining the two other West European powers of France and West Germany in the organization. With the addition of Britain, a new nucleus developed within the EC. The traditional Franco-German alliance which was driving the Community, gave way to a triangular association which included the United Kingdom.

However, the three countries have often found it difficult to coordinate their policies to advance European unity. Indeed, EC integration was characterized by "Euroclerosis" for much of the 1970s and early 1980s since the three major member states were unwilling to abandon independent national policies in favour of Community programs. Nonetheless, in recent years the organization has made several noteworthy advancements towards integration as changing domestic and international environments required the three countries to reevaluate their strategies, including their views regarding Community policies. Thus, under this setting the core member states were willing to use Community solutions to problems plaguing their countries and proceeded to advance EC integration through the signing of the Single European Act and the Maastricht Treaty.

This thesis advances the hypothesis that it is the triangular relationship which shapes the integration process. For European unity to occur, the agreement of France, Germany and Britain is required. Chapter One discusses the theoretical aspects of the triangular model. The strength of the bilateral ties are explored as are other factors which influence the model. Chapter Two provides the historical background material to the shaping of the association and examines the reasons behind the EC's years of stagnation. The movement towards increased EC integration, as demonstrated through the SEA is highlighted in Chapter Three, followed by a fourth chapter exploring the Maastricht Treaty. Finally, in the concluding chapter, the main points of the thesis are reviewed. In the end, the reader will recognize the validity of the triangular association and its importance to European integration.

ACKNOWLEDGEMENTS

I would like to thank my supervisor, Dr. William Chandler, for his insightful commentary, editorial advice and unending patience. In addition, I also wish to articulate my appreciation to Dr. Breckenridge and Dr. Stubbs for their helpful suggestions.

Finally, I would like to express my gratitude to my wife, Sharon Gelleny, for her insight and never-ending tolerance during my endeavor. Furthermore, my parent's support, along with that of my fellow students, will always be appreciated.

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CHAPTER ONE

INTRODUCTION

In 1973, the United Kingdom entered the European Community (EC), finally joining France and Germany as a core member of the organization it had previously eschewed. With this addition, the traditional Franco-German alliance which drove the Community gave way to a situation where agreement among the three primary countries was necessary for any substantial progress towards European integration to be made.

In the past, the Community has made several significant advancements towards integration. The Single European Act (SEA) and the Treaty on European Union, agreed upon at Maastricht in December 1991, both seek to achieve closer economic and political union among the twelve member states.¹ However, the road that led to these agreements was far from smooth. In fact, the EC was characterized by "Eurosclerosis" for much of the 1970s and early 1980s. During this period, the EC faced an unstable economic climate to which the member states decided to respond with independent national strategies. Recent events in Europe such as the referendum in Denmark, the destabilization in Eastern Europe, German unification, turbulence in the

European currency markets and weak economic climate have likewise thwarted hopes for a quick movement towards European unity.

The central hypothesis of this project is that the triangular relationship drives the integration process. This model holds that for substantial European unity to take place, the agreement of France, Germany, and the United Kingdom is required. This is not to completely discount the role of the other members of the EC (such as Italy and the Netherlands) and the European Commission. These actors can (and do) influence and exert political pressure on the decision-making process. However, these participants are not able to actually set the pace of unification nor unilaterally propel the integration movement forward. Only, the weight of the triangular association is able to move the Community forward decisively if it so desires. Furthermore, when the three countries fail to cooperate, the integration process has tended to stagnate.

It is important to emphasize that the model is not of a static nature. Indeed, changing dynamics have allowed for a transition from "Euroclerosis" to greater unity. When considering this association, it must be acknowledged that three different bilateral relationships require analysis: Franco-German, Franco-British and British-German relations. Moreover, these series of ties are by no means equal in

strength nor static in nature. Since Britain did not initially join the EC, France and Germany were able to cultivate independent relations. Over the years Franco-German relations evolved into a close working association. Likewise, the entrance of the United Kingdom did not immediately transform the Franco-German partnership into a triangular model. With Britain's seemingly reluctant membership to the EC, it took some time for the model to take shape.

Depending upon the specific issue at hand, different coalitions of various strength have formed. Furthermore, due to honest policy differences with its partners, Britain has at times actively opposed EC programs. Likewise, the past reluctance of the United Kingdom to commit itself to European supranational institutions occasionally resurfaces. In such circumstances, the association takes a more irregular form which results either in EC stagnation or Britain's withdrawal from specific EC initiatives. However, in many cases a more equal triangular relationship has developed, particularly when changing environments require new responses from the three countries.

As the era of "Euroclerosis" dragged on, changing domestic and international affairs forced the three countries to reevaluate their policies with respect to the Community. As independent national economic policies failed

to yield fruitful results and international economic competition grew, increased EC cooperation became a more attractive option. In addition, the trade patterns between the member states were growing increasingly important.² Even Britain had to acknowledge the importance of Europe to its economic and political well-being and took a more active role within the EC. Thus, a changing environment helped shape the triangular association, and continues to this day to change the dynamics of European integration and the triangular relationship.

Over time, this association has established itself as a necessary condition for EC integration. Indeed, it has been noted that throughout the history of the Community, decisions have been based on interstate agreements between its dominant member states.³ Additionally, these interstate agreements depend upon the "[h]eads of government, backed by a small group of ministers and advisers, [who] initiate and negotiate major initiatives in the Council of Ministers or the European Council."⁴ While other actors could apply pressure on the triangular model, agreement still required the consent of the three major countries, which in turn centered on bargains between the political leaders of these states.

Yet, it must be recognized that the key to European unity could be interpreted differently. One countertheory

maintains that despite the semblance to the triangular model, it is in fact the Franco-German alliance by itself which is the critical element in the move towards European integration. Since the end of World War II, the two states have worked hard to cultivate a special relationship, enshrined in a bilateral treaty (the Elysee Treaty of 1963) and buttressed by regular consultations. This "special relationship" has helped forward integration within the Community since its formation and continues to hold fast to this day. As this alternative theory suggests, it is the Franco-German axis which is the true force in greater integration, while a reluctant Britain is dragged along.

However, it will be argued that this triangular model is superior in this case, and that agreement among the three countries, however tacit it may be, is vital for the Community to move towards greater unity. While Paris and Bonn initiate the vast amount of integration proposals, the final outcomes do not always favour their original drafts. Through the examination of the negotiation process (particularly among the three major member states) and the final agreements, it will be shown that a triangle does indeed exist. Logically, if the process requires the consent of all three countries, the final result will often reflect a compromise which yields a less than maximalist outcome.

The Triangular Relationship

Undoubtedly, when London originally refused to join the EC upon its founding in the 1950s, there was a feeling that the organization was incomplete. After all, Britain had clearly emerged from World War II as a victor and major partner of the coalition which had crushed the Nazi regime. In addition, the country boasted a proud tradition of democracy and economic and industrial strength whose absence signalled to many that a core element of the EC was missing. In fact, many had been disappointed when, in the 1960s, French President Charles de Gaulle twice vetoed London's belated bids to join the Community. With the addition of the United Kingdom to the Community in 1973, many observers finally felt that the EC had at long last the possibility of achieving its full potential.

In several ways, the three primary countries of the newly shaped core stood out from its other members.⁵ In terms of Gross National Product (GNP), these three countries represented the leading economies of the EC. The Federal Republic of Germany's level of GNP in 1972 stood at 230.9 million EUA, while France and the United Kingdom had GNP rates of 173.4 million and 140.1 million EUA respectively.⁶ Likewise, with the exception of Italy, these countries were the most populous of the member states.⁷ Furthermore, in terms of political prestige and their importance in the

international sphere, the three countries were again at the forefront of the EC. Both France and Britain had histories of being major international powers and democratic forerunners. Paris and London, for instance, each occupied one of five permanent seats on the United Nations security council and both were nuclear powers. While Germany lacked the democratic traditions of its two partners, the Federal Republic's key position within the Cold War environment enhanced its political importance in the international domain. Therefore, each country had a special position within the Community and Western Europe.

Over the years, all three countries have continued to maintain their importance within the EC. Germany, for one, has preserved its position as the economic power within the association. Even though the Cold War has ended, Germany's preeminent position in relation to East and Central Europe, both geographically and historically, has ensured Bonn's importance in the international order. Like Germany, France has also maintained its powerful position within the Community. Besides nurturing the second largest economy in the EC, France's diplomatic and military strength has guaranteed Paris a strong voice in Community affairs. Finally, though the United Kingdom is no longer the third largest producer in the EC (falling behind Italy in terms of GNP), London continues to be among the three most

influential members of the EC. Through its long tradition of democracy and with its diplomatic and military power rivaling France, London has been able to preserve its position in the triangular association.

In general, the Franco-German alliance has been stronger than either of the two other bilateral relationships. Indeed, with the United Kingdom joining the Community rather late, the Franco-German liaison was allowed more time to strengthen. Each country had previously discovered that benefits could be derived through the EC framework. Germany, for instance, not only found a market for its industrial goods, but was also able to advance foreign policy objectives through its partnership with France. Without France as a partner, Germany's policies might have created great anxiety among its European neighbours. France, in turn, found a new market for its agricultural products as well as a suitable framework to constrain and bind Germany from reestablishing any military capability.

The result of this Franco-German axis was the creation of a pattern through which EC integration was advanced principally by the two country's mutual agreement on various issues. Even when the United Kingdom eventually entered the EC, the Franco-German alliance provided much of the initiative for greater European unity. As Chancellor

Kohl has pointed out, Germany along with France "continues to see itself as the motor of integration."⁸

The United Kingdom, on the other hand, has often chosen to occupy a more distant relationship to the two other country's European policies. While Britain wished to obtain the full economic benefits of Community membership, London has shown little desire to advance any political integration initiatives. Instead, London has chosen to spend much of its time putting "a brake on any developments which smacked of supranationality or could undermine the transatlantic relationship."⁹

While the above scenario might appear to weaken a triangular model it in fact validates its existence. The result one would expect from such an association in this case would be a period of general stagnation in the integration process. Indeed, much of the "Euroclerosis" which distinguished the EC in the 1970s and early 1980s could be associated with such a model, with agreement among the three countries generally impossible to achieve. In fact, it is interesting that the creation of the European Monetary System (EMS), arguably the only major EC success during this period, was not fervently opposed by Britain owing to London's belief that the system was doomed to fail. More often, the lack of mutual agreement among the three member states made progress towards EC integration a

difficult process.

However, substantial progress on European integration has been achieved since the mid-1980s. With the triangular relationship between the three countries now leaning towards mutual agreement, EC integration has been enhanced significantly. Hence, now that the traditional alignment of the model has shifted, EC unity has advanced.

How then does the integration process move forward significantly at times while it breaks down at other times? Both the domestic and international environments play an important role in influencing the policies of the three countries with regard to EC policies. In particular, a stagnant pattern of relations may be broken when the United Kingdom fears that it will be isolated and left out of the framework developed by France and Germany. While London may be hesitant about further EC integration, it recognizes the importance of the continent to its economic and political welfare. In other words, Britain fears that without its participation a permanent two-speed Europe will evolve under Franco-German leadership with London assigned to the slow track. With the United Kingdom's internal economic weaknesses, London dreads that it could be deprived of future economic or political benefits if it is left behind. As long as London feels that the benefits outweigh the costs, it will climb aboard the unity train.

The domestic setting of each country also acts as a critical component in formulating their Community strategies. As a matter of fact, it has been argued that EC politics "is the continuation of domestic policies by other means."¹⁰ While there are many transnational pressures, the prime "form of their political expression remains national."¹¹ Although integration advanced significantly at times, the national governments remained the prominent actors within the organization, with the concept of a supranational government only gaining limited ground.¹² Therefore, as long as national governments maintain a leading role in the EC, domestic politics must logically play an important role in the formulation of integration policies.

Changes in the internal affairs of a country become important with regard to the development of further EC integration policy. While traditions and favoured institutional structures may give the impression that a country's policy positions are deeply entrenched, strategies in fact do change. Domestic conditions and constituents are often complex and fluid.¹³ For example, the internal position of the British Conservative and Labour parties over EC policies have had a profound impact on various governmental actions towards European unity issues. In Paris, attempts to encourage the merger of corporations

in the hope of forming strong "national champions" in high-tech fields yielded limited results.¹⁴ As a result, domestic failures incited the French to consider other means to strengthen French industry, including the EC.

Furthermore, changes in the domestic environment are closely linked with factors in the international sphere. The countries of the Community increased their trade dependency not only among themselves, but also with the rest of the world between the early 1960s and 1980. It became apparent to many that the management of the domestic market was increasingly ineffective in a global economy.¹⁵ Thus, domestic politics often interacts with international factors, allowing for countries to adjust their policies. As Wayne Sandholtz and John Zysman have pointed out:

The most important elements of the domestic political setting were the failure of existing, purely national economic strategies, the decline (or transformation) of the left, and the presence of vigorously market-oriented governments on the right. Without these shifts, an EC-based response to the changing international structure would have been politically impossible.¹⁶

Likewise, changes in the global setting pose new questions and possibilities which require countries to rethink their policies or positions.¹⁷ The international competitiveness of other countries within the global marketplace requires governments to rethink their policies if they find themselves in a less advantageous position vis-

a-vis their rivals. For instance, in the early 1980s, France, Britain and Germany each found themselves lagging behind the United States and Japan in several key high-tech industries, such as microelectronics. Combined with the failure of domestic solutions, new ideas were sought to alleviate their declining position in contrast with their global competitors, with the EC as being one possible answer.

Wholesale changes in the international order obviously require states to adjust their strategies accordingly. Such alterations have occurred very rapidly in the global sphere in the late 1980s and early 1990s. The crumbling of the Berlin Wall and Communist Europe, quickly followed by the collapse of the Soviet Union sent shock waves throughout the world. The EC not only had to confront the question of German reunification, but also that of a potentially unstable bloc of East European countries looking toward the EC (and its core membership) for political leadership and economic support. The brutal civil war in Yugoslavia has likewise highlighted the dangerous volatility that remains in the former Communist bloc countries. Changes such as these required not only the individual states and the EC to respond, but also forced the Community to reexamine its own institutional structure and decide whether the EC was capable of efficiently operating in the

new environment. Within this setting, the three primary countries in particular, found themselves under pressure, forcing them to play a leading role in trying to formulate appropriate responses.

The general character of the relationship between the three countries also made London wary of not having enough influence in the structural framework of the Community. As Europe became an increasingly important element to Britain in economic and political terms, London could no longer afford to ignore the shaping of the EC. This fear has been made apparent in recent years. As Geoffrey Garret states:

It was widely perceived that Britain had suffered considerably from not joining the EC until the early 1970s, when the Common Agricultural Policy and budgetary practices detrimental to Britain were already entrenched. Furthermore, many criticized the Conservative government for not joining the exchange rate mechanism of the European Monetary System (EMS) until 1990, when Britain's inflation rate was well above the average of countries already disciplined by the strictures of the exchange rate mechanism.¹⁸

With the United Kingdom generally choosing to distance itself from the Community integration process, it lacked the influence to mold the institutions to its own liking. Yet, in the end, London always does join the club due to the importance of the EC to its well-being. Thus, a pattern developed by which Britain guaranteed its impotence at the crucial stages of the formation of the institutions

that Britain must ultimately join.¹⁹

Eventually, as activities on the continent have become more critical to London's interests, it was imperative that Britain play a more active role in shaping the structure of the EC. This made any attempts (or threats) on the part of France and Germany to advance EC integration, even if such policies required the United Kingdom to be excluded, to be taken very seriously by London. Under such circumstances, EC integration could make significant advancements.

Another factor which affects the triangular relationship and EC unity is the difficult integration process itself. The question of how much sovereignty to relinquish to supranational organizations such as the Community is not an easy one for the national governments. This very issue requires each country to weigh the cost of sacrificing some sovereignty against the possible benefits of pooling resources. Every national government has fought against relinquishing control to outside authority, hence, not surprisingly each country has various doubts and hesitations over this issue.

Germany has tended to be the least hesitant of the three countries in pooling sovereignty. Germany has found that through the EC it has been able to put forward policy initiatives which may have been otherwise difficult for them

to advance because of past German aggression. Furthermore, Germany's political system has enabled Bonn to be more receptive than other capitals in pushing for greater integration due to its federal nature. On the other hand, both France and Britain have proud national traditions and institutions of a more centralized character which they are more reluctant to surrender. France, for instance, under the leadership of de Gaulle, always stressed the role of the nation-state and fought to maintain its preeminent position in the decision-making process. However, France having emerged from the Second World War as a victorious but fatigued nation, saw the benefits of using the EC as a way to rebuild its industrial base. Over the years, Paris has been willing to support further integration if perceived advancements were felt to modernize the country's economy or maintain its influence in foreign affairs. The United Kingdom has proven to be the least willing to compromise on this issue. Isolated from the continent and proud of its role position within the victorious alliance, London chose a more aloof position toward the Community. This is a policy which has maintained a strong following within Britain over the years.

In many areas, the loss of sovereignty touches the raw nerves of governments. These include defence, security and monetary issues. The subject of European monetary unity

(EMU), for example, has been a difficult one for the three countries (and the other Community members also) to address. The very issue of monetary policies strikes at the very heart of the sovereignty of individual governments. Even Germany, often fairly cooperative in pooling sovereignty, has had severe doubts over sacrificing their beloved deutschmark. The United Kingdom has been even more reluctant to sacrifice their national currency and surrender control over their monetary policy. On the other hand, Paris has been the most enthusiastic toward the formation of EMU. The divisions among the countries has shown how difficult the integration process can be.

Other Variables

When considering the integration process of the entire Community, it must be recognized that other variables play an active role. Obviously, there are nine other member states belonging to the organization besides the main three member states. On the whole, these countries reflect the wide range of diversity on the continent and cannot be ignored.

Nevertheless, within this setting the triangular association between France, Germany and the United Kingdom forms the core of the Community and establishes the basis for settlements on integration policies. As stated earlier, the economic and political importance of the three countries

became apparent as soon as London made the decision to join the EC. Furthermore, the prominent positions that each country has within the international community reinforces the importance of agreement among the three capitals. For example, the security concerns of the three countries, though often quite different, press each country "to want to ensure that decisions about the European pillar inside and outside the Community framework reflect the needs of three weighty partners."²⁰ No other member of the EC can fundamentally transform this core element.

The Community, like any other international organization is also based upon governmental agreements among countries to cooperate in the aim of achieving some sort of perceived goal or benefit. Therefore, the fact is that the EC has been centred on interstate bargains between the member states and the importance of intergovernmental negotiation must be acknowledged.²¹ Within this system, bargains among the leading member states has been critical. Before London entered the Community, Franco-German agreement was needed to push integration forward. With the addition of Britain, it became clear fairly early that it became a "general rule of thumb in the Community that little gets done without the support of Britain, France and Germany."²²

This can be illustrated through the increased importance of bilateral meetings among the member states.

Increasingly, bilateral meetings between the three primary countries were not only used to strengthen their individual relations but also to coordinate and achieve understanding on EC policy formulation. This was acutely evident when French President Francois Mitterrand conducted a series of meetings with principal Community countries in an attempt to settle disputes within the organization in 1984. Although President Mitterrand did not limit his efforts to Britain and Germany, much of the emphasis was placed on formulating common solutions with its two main partners.²³ Such activity was repeated before the Maastricht summit meeting in December 1991.

Other member states have also been seen to play a major role in the EC integration process from time to time. Italy, for example, has been cited as an important member of the Community. For one thing, the population of the country and its industrial output puts it among the leading countries of the EC. Also, Rome has been among the most enthusiastic countries for greater European unity. As Helen Wallace has pointed out, the three core members have established,

more regular links with the Italians than with the smaller member states, for reasons which include recognition of the important mediatory role often played by the Italian government and awareness that substantive Italian interests cannot easily be overridden.²⁴

This mediatory role was certainly present during the negotiations leading up to both the SEA and the Maastricht summit.

However, several factors prevent Italy from entering the core contingent of the EC. First, Italy lacks the importance in the international sphere that the other three countries maintain. In military and diplomatic terms, Rome is not at the same level as that of Paris and London. In addition, Rome's political instability hinders its ability to be considered in the same light as that of the other three countries. The frequent collapse of Italy's governmental coalitions and the ensuing parliamentary confusion limits Rome's ability to maintain the influence that the others have developed. Also, the parliamentary blockage which can plague Rome often hampers its ability to effectively carry out EC policies, further limiting Italy's capacity to join the other three members as the main actors.

In economic terms, although Italy's economy is larger than that of the United Kingdom's, it still trails that of Germany's and the French. However, it should be mentioned that in many ways the Italian economy is in severe structural trouble. The government is deeply in debt²⁵ and its currency (the Lira) has constantly been under speculative pressure. Under these circumstances, Italy's economic stature is significantly eroded.

Therefore, while an important member of the EC, Italy has been unable to enter the exclusive group of three. The Community has been seen by Rome as an important way to increase its influence politically, and perhaps more importantly, a method to overhaul its fragile economy. Under such circumstances, Rome tends to play a reinforcing role in the integration process. Seeing integration as a positive goal, Italy backs the country or the bilateral relationship which seems to push for integration advancements. However, it is dependent upon the triangular agreement of the three countries for significant progress in EC unity, thus encouraging Rome to play the role of a mediator for the benefit of continued integration.

A similar situation can generally be observed with the rest of the EC member states. Many of the members of the EC are small countries or less economically developed and lack influence in the process. This allows for the larger wealthier states to buy off the support of the smaller (such as Ireland) and poorer (such as Spain) members. This was prevalent in the negotiations during the SEA when France and Germany pushed for doubling the funds for structural assistance to less developed regions.²⁶

Additionally, the smaller member states also tend to follow the lead of the larger states. Former British Prime Minister Margaret Thatcher pointed out that smaller nations

will often reason that "if France and Germany agree, the rest of us should agree."²⁷ This pattern has been more apparent among the small nations which joined the Community at its inception. Having been accustomed to the concept and workings of integration, these countries have tended to reinforce the Franco-German bilateral side of the triangular association. On the other hand, those states who enlisted in the Community later have been more reluctant to leap aboard the integration bandwagon. Often these countries tend to lean toward the reluctant position expressed by London. Hence, at times the triangular relationship appears to be reinforced by the general positions by the other member states. Each primary country will form the nucleus of a group of countries expressing similar views. However, when sufficient agreement is made among the three major countries to advance EC policies, the other countries generally join the project.

One exception to this general rule was the June 1992 rejection by the citizens of Denmark in the referendum of the Treaty on European Union (also known as the Maastricht Treaty) which shocked the entire Community. The momentum which the EC had gathered toward increased European unity was stopped in its tracks. Because the Treaty on European Union requires the approval of all twelve member states, the Danish defeat represented a major stumbling bloc for the

integration process.

Obviously the referendum in Denmark showed the political leaders of the member states that their citizens cannot be taken for granted and excluded from the process. While the governments were able to reach an accord among themselves they failed to account that their citizens would feel differently. Interestingly, public reaction in France, Germany and Britain has reinforced this message to their governments.

The reaction of the three countries to this new development will determine the future progress of EC integration. The rejection of the Treaty by the people of Denmark has created a new environment which will require strong cooperation and leadership of all three countries if the Community is to pass the Treaty and get the integration process back on track. Each country has specific reasons for pressing ahead with the agreement. However, the recent events (which go beyond the Denmark referendum) have also changed the domestic arena in which the governments must operate. Whether this is a turning point in the triangular relationship must be examined.

Another important actor in the process is that of the EC Commission and particularly its current president since 1985, Jacques Delors. For much of the time that the Community stagnated, the influence of the Commission and its

president was very limited. Ian Davidson, writing in the Financial Times on 6 February 1984 stated that the Commission was finished as the policymaking motor of the EC due to the member states implementing uncoordinated national policies and the visible inadequacies of then EC president, Gaston Thorn.²⁸

However, after this slow period the EC Commission, under its present leader, Jacques Delors has stepped forward and increased its presence in the integration process. Delors has especially established himself as a highly visible agent in this arena. He has taken an active role in unity issues including the SEA and his heading of a study on economic and monetary union. Furthermore, he also played a major part in the inclusion of former East Germany into the Community.

While the Commission and Delors have had a major role in the process, its overall influence must be kept in perspective. Although the members of the Commission are independent from their home governments, they are in fact appointed by these governments. Therefore, the level of experience and competence of these commissioners is dependent upon the member states. Once these commissioners are appointed to their positions the governments are under no obligation to reappoint these members when their term has expired. Hence, a certain degree of control still rests in

the hands of the governments, thus affecting the Commission's competence and ability to maintain continuity.

Likewise, the role of Jacques Delors, while important, must not be equated with that of the national governments. Even though Delors was influential in the formulation of the SEA (which was developed through the general framework of the White Paper)²⁹ the national governments still played the most significant role as they,

proposed, negotiated, and approved, often in advance of Commission initiatives, by the heads of government themselves. Indeed, the breakthrough in the relaunching of the EC had already occurred before Delors became president of the Commission.³⁰

Therefore, the Commission and Jacques Delors have in general supported the triangular model and not led the way towards European integration. Through its role as a mediator, especially in the Council of Ministers, the Commission has enabled the EC to hash out the differences of the national governments. Furthermore, when differences between the three central powers of the Community threatened the integration process, the Commission and Delors supported the threat of a two-track Europe against the British government, thus reinforcing the triangular model.

The role of transnational business coalitions has also been cited as an important factor leading towards further EC integration.³¹ Without a doubt, these groups

have voiced their beliefs to their governments and with the movement toward the single market approaching, their views are likely to become even more prominent in the near future. However, the actual effect that these groups have had upon the integration process may be somewhat overstated. While groups such as the Roundtable of European Industrialists spoke for increased free markets, its activities generally focused on the interests of their non-EC European membership.³² Furthermore, the French government has a history of initiating EC integration to force its industrial sector to become more competitive and efficient. Andrew Moravcsik has pointed out that most transnational business lobbies got involved in the single market process only after the French presidency of the European Council had already broken the ice toward the project.³³ For example, French companies were briefed and encouraged to gear up for the single market by the "imaginative promotion by the government of former Prime Minister Jacques Chirac."³⁴

Thus, while these other factors play a major role in the integration process, the national governments have maintained their preeminent role in the system. And within this structure the triangular core of the EC drives the integration process. If the three central countries cannot reach some sort of agreement among themselves, European unity is stalled.

Summary

This paper argues that the key to EC integration is the triangular association of France, Germany, and the United Kingdom. Without the agreement of these three member states, EC unification has stalled. Yet, this association has not provided for a smooth course of integration. The nature of the model is a triangle of unequal bilateral relationships. While the strength of the bilateral ties can vary (because of the changing environment and the relative compatibility of the states' political leaders), stronger links between France and Germany tend to dominate. Hence, the United Kingdom will often act as a drag on the integration process, trying to limit the amount of sovereignty it will have to abandon. Under such a situation, the Community often experienced prolonged periods of stagnation. However, when an understanding is achieved among these three capitals, EC integration seems to make its strongest advancements.

Both the domestic and international environments allow, and indeed force, countries to adjust their policies. As recent years have shown us, these environments can be quite fluid. Within such an arena, the triangular relationship between France, Germany and the United Kingdom has been allowed the room to change over time. This enables the triangle to shift over time and take the form of either

advancing or hindering the integration process of the EC.

ENDNOTES-CHAPTER ONE

1. The 12 members of the EC are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and the United Kingdom.
2. See Appendix 3 and Appendix 4.
3. Andrew Moravcsik, "Negotiating the Single European Act: national interests and conventional statecraft in the European Community," International Organization 45 (Winter 1991), 25.
4. Moravcsik, "Negotiating the SEA," 25.
5. In 1973, Britain, Denmark and Ireland joined the six founding members of the EC. The original six members were Belgium, France, Germany, Italy, Luxembourg and the Netherlands. In 1981, Greece joined the organization, followed in 1986 by Portugal and Spain.
6. European Communities, Basic Statistics of the Community 1978 (Luxembourg: Statistical Office of the EC, 1978), p.26. The European Unit of Account (EUA) is a basket unit, based on a certain quantity of each community currency, weighted on the basis of the average GNP over five years and of the intra-EC trade of each member.
7. See Appendix 1.
8. Helmut Kohl, "Europe-Every German's Future," European Affairs 4 (Spring 1990), 18.
9. Robert Mauthner, "Navigation without a compass," Financial Times, 6 November 1990.
10. Andrew Moravcsik, "Negotiating the SEA," 25.
11. Moravcsik, "Negotiating the SEA," 25.
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14. Hoffmann, "The EC and 1992," 30.

15. Geoffrey Garrett, "International cooperation and institutional choice: the European Community's internal market," International Organization 46 (Spring 1992), 538.
16. Wayne Sandholtz and John Zysman, "1992: Recasting the European Bargain," World Politics 42 (October 1989), 97.
17. Sandholtz and Zysman, "1992: Recasting the European Bargain," 106.
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20. Helen Wallace, "Negotiations and Coalition Formation in the European Community," Government and Opposition 20 (Autumn 1985), 469.
21. Moravcsik, "Negotiating the SEA," 25; and Emile Noel, "The European Community: What Kind of Future?" Government and Opposition 20 (Spring 1985), 149.
22. "Anglo-French dialogue," Financial Times, 7 June 1979.
23. This can be seen through the emphasis which French officials placed on finding common ground with Britain and the number of visits President Mitterrand paid to London and Paris.
24. Wallace, "Negotiations and Coalition," 468.
25. Italy's public debt now exceeds its entire GNP. See "When Europe calls the tune, Italy must pay the piper," The Globe and Mail 15 October 1992.
26. Garrett, "International cooperation," 547.
27. "Thatcher says EC can curb German power," Financial Times 3 September 1990.
28. Ian Davidson, "The suspense is killing," Financial Times 6 February 1984.
29. The White Paper was the result of a study headed by Lord Cockfield which called for the completion of the Common Market by freeing the movement of people, goods and capital by the end of 1992.
30. Moravcsik, "Negotiating the SEA," 46.

31. See Sandholtz and Zysman, "1992: Recasting the European Bargain," and Hoffmann, "The EC and 1992."

32. Alex Krause, "Many Groups Lobby on Implementation of Market Plan," Europe no. 278 (July/August 1988), 24.

33. Moravcsik, "Negotiating the SEA," 45-46.

34. Krause, "Many Groups Lobby," 24.

CHAPTER TWO

HISTORICAL CONTEXT

When considering European integration and the role of the triangular association within this process, the historical environment merits considerable examination. With France, Germany and the United Kingdom each having their own national interests, geographical situations, and concerns originating out of particular national histories, agreement among the three countries has always been difficult.¹ Moreover, their legacy of being historic rivals also affects their relations, since each country considers past consequences and current positions with respect to the formation of policy objectives. Along with international and domestic factors, historical factors have therefore helped to form stubbornly entrenched attitudes which have become deep-rooted and which have not only influenced bilateral relations between the respective capitals, but also positions on institutional powers and changes within the Community.

This chapter will demonstrate that the triangular model had its foundations laid at an early stage. It will commence with a brief discussion of the international and domestic settings which led the countries to formulate their

policies towards European integration. Also, the institutional structure of the Community will be analyzed to examine the extent of supranationality permitted by the nation states' and the reluctance of countries to relinquish sovereignty. Lastly, the changing attitudes and environment which permitted the enlargement of the EC in the early 1970s, will be studied, along with its effect upon EC integration policies until the early 1980s.

The Shaping of an Irregular Triangle

Europe emerged from World War II as a battered and disillusioned region. On the continent, much of Europe's infrastructure and political system lay in ruins and many states were prepared to think and act in European terms.² The nation state system, which had brought on the destructive consequences of two major wars in less than half a century was considered by many to be no longer feasible.³ One possible alternative advanced by political leaders and analysts to replace or modify past national rivalries was European integration and the formation of other multilateral organizations (such as NATO). While this concept was not new, it found new credence among many on the continent. However, actual advancement in the field of European unity would turn out to be a gradual process.

The situation in Europe following the end of World War II was not opportune for immediate European integration.

The political climate prevailing in Europe was shaped by the leaders of the United States, the Soviet Union and the United Kingdom at Yalta and Potsdam. It was these agreements which divided Germany into four zones of occupation and essentially instituted the geographic boundaries, and political and economic systems of the states of Central Europe for the post-war period.

In this environment the United Kingdom developed a different attitude from that which prevailed on the continent. Britain had come out of the war with a renewed sense of pride, having been the only victorious European country to have fought the war successfully from start to finish and to have participated in the above post-war settlements. Moreover, London's close partnership with the United States developed into the belief that a "special relationship" between the two countries had been established. Through Britain's diplomatic and international experience, London felt that it could help guide America in the post-war years.⁴ With the United States emerging (along with the Soviet Union) as a dominant world power, Britain would be able to maintain an active global foreign policy through its influence with Washington.

Furthermore, Britain continued to put great emphasis on its association with the Commonwealth. Through the Commonwealth, London felt that its voice in the

international sphere was enhanced. The Commonwealth also remained important to Britain's economic well-being. In 1948, for example, the United Kingdom sent about 40% of its exports and re-exports to the Commonwealth.⁵

The combination of geography and Britain's political traditions helped distance London's enthusiasm for thinking in European terms. The attitude which emerged was that sovereignty was "absolute, indivisible and inalienable; to pool it is to lose it."⁶ In addition, the British Empire, while still intact, was beginning to show signs of dissolving and Britain was also faced with a weak economy as a result of the war which required attention. With the acquisition of power by a new Labour government, headed by Prime Minister Attlee in 1945, domestic policy priorities were concerned with recovery and reconstruction and the problems facing its Empire.

In contrast, France failed to emerge from the Second World War with any of the strong sense of national pride and direction that was present in the United Kingdom. While France was allotted a place on the winning alliance, it was also an exhausted nation both in economic and political terms. The French economy was in a weakened state, as much of its infrastructure was in the need of repair. Also, the political system was in a state of confusion. With the collapse of the Third Republic and the discredited Vichy

Regime's collaboration with Germany, a new constitutional order became necessary. With General de Gaulle heading the provisional government until 1946, France went about trying to establish a stable political and economic environment. Likewise, over the next decade France also had to deal with the growing independence movement among many of its colonies.

The situation in Germany was vastly different from that of the other two countries. The post-war settlements had resulted in the division of Germany into four occupied zones (American, British, French and Soviet regions), a redrawing of its boundaries and the elimination of the German national government which was replaced by four military governments. In essence, a German state was no longer present. However, by 1948 it became apparent that differences between the West and East were unresolvable and the West began to consider the formation of a West German entity consisting of the American, British and French zones. In 1948, moves towards drafting a constitution for such an entity was initiated and by May 1949, the finished draft was completed and approved by the Western powers, thus establishing the Federal Republic of Germany with Bonn as its capital. In turn, the Soviet Union created an Eastern equivalent, the German Democratic Republic. Hence, Germany was divided into two separate states.

As the Cold War intensified, the international order became increasingly polarized, with Europe divided into two spheres of influence. In order to combat the communist military threat, NATO was formed in 1949. With West Germany being on the frontline of the conflict, it was critical to establish a strong economic and political entity to counter the ideological threat of communism. The West German economy was beginning to improve and by November 1949 the prewar level of production was achieved.⁷ At the same time, with the Korean War escalating there were increased demands for greater German involvement in the defence of the continent by the Americans. In September 1950, the United States formally advanced to France and Britain that Germany should participate in NATO. Thus, by 1950 Germany was once again becoming a player in European politics.

It was in this general context that the push for increased European integration began. Each of the primary countries approached the issue with different objectives and perspectives. The other European countries of the Benelux and Italy were also willing to engage in discussions relating to European union. They recognized that many of their economic and political problems were unmanageable on the national level and saw that solutions approached at the European level might be more efficient.⁸ If agreement could be reached among the traditional European powers, European

cooperation would be advanced.

The French, at this time, were deeply concerned over the thought of German rearmament and also the fact that Germany's economic strength was beginning to show robust recovery. Indeed, Germany was to become the key to French foreign policy after the end of the Second World War. In this light, the initial reaction by France towards the resurrection of German military forces was negative. However, with increased pressure from Washington and the growing concern over the Soviet threat, it became progressively apparent that Germany would eventually play a larger role in future European defence and economic outcomes. Jean Monnet, the French Planning Commissioner, designed a scheme to eliminate the ability of Germany to independently rebuild its military industrial complex. On 9 May 1950 the French advanced what was to become known as the Schuman Plan; a proposal to place the entire Franco-German steel and coal production under the supervision of a common High Authority.⁹ The idea was to make war between the two countries "materially impossible."¹⁰

The reaction of the United Kingdom to the proposal was not one of instant rejection. London made it clear that it must be told the entire amount of sovereignty that was expected to be surrendered. Interestingly, this type of response toward European initiative was to become a trait of

London in future years, causing many of its neighbours to feel that it was a deferring or even destructive ploy.¹¹ It was only when Schuman made supranationality a condition that Britain rejected the proposal and refused to participate in the conference which drafted the organization.¹² The essential issues which hindered London's activity were the government's decision to nationalize the coal and steel sectors and its reluctance to surrender sovereignty to an international organization.

On the other hand, France and Germany were prepared to cooperate on a European level. France saw a great opportunity to integrate the manufacturing sectors which principally supplied the military industrial complex and consequently limited the ability of Germany to rearm independently.¹³ In exchange, Germany was allowed to reclaim some of the sovereignty which it had lost due to the state's occupation. For example, through this proposal, Chancellor Adenauer recognized that Germany would be able to regain "authority, albeit in a supranational context, over its coal and steel industry formerly controlled by the International Ruhr Authority."¹⁴

On 18 April 1951 the Treaty of Paris was signed, establishing the European Coal and Steel Community (ECSC), which officially commenced operation on 23 July 1952. The ECSC consisted of the two main signatories of France and

Germany, along with Belgium, Italy, Luxembourg and the Netherlands. The foundation of the future EC had been established.

However, the drive for increased European unity did not stop with the formation of the ECSC. The next major initiative was the calling for the creation of a joint European army. The proposal for a European Defence Community (EDC) was again a French initiative, which proposed to integrate German military forces with those of the other five countries which had founded the ECSC. Once again, the United Kingdom elected to stay out of such a supranational organization, preferring to rely on American military leadership in the Atlantic Alliance (NATO) and fostering their special relationship with Washington. In response, the six continental countries continued to press ahead without Britain's involvement in the organization, with the signing of the treaty in May 1952. However, unlike the passage of the Treaty of Paris, the EDC died in the French National Assembly following long and emotional debates in August 1954. This time it was French fears of the loss of sovereignty which killed the Treaty.

It is of interest to note that during this time, the foundation of competition between a Atlantic perspective (that being allegiance towards NATO) and a more European view began to be felt. In 1954, the Western European Union

(WEU) was established to absorb West Germany and Italy into the defence of Western Europe.¹⁵ In 1955, West Germany joined the other members of the WEU in NATO. From this point onwards, any initiative in the European defense arena had to compete with the objectives in NATO in mind.

Despite this set back, domestic and international affairs permitted the dream of European integration to continue onward. Events in the international environment showed Paris the limits to which it could influence global policy. The 1956 Franco-British Suez failure and France's prolonged conflicts in Indochina and Algeria reinforced this view. Furthermore, France's industrial base, while expanding, remained weaker than that of Germany's. Therefore, continued European integration in the economic arena appeared to be a viable alternative to Paris. Through such a union, France could establish a stable market for its agricultural goods while at the same time use the Common Market to force French industry to become more competitive. German economic power would at the same time become bound to the new economic organization.¹⁶

The Federal Republic also continued to view European integration favourably. Chancellor Adenauer persisted in stressing the importance of joining Community institutions. In economic terms, Bonn saw an opportunity to secure a market for its industrial products. Furthermore,

participation enabled Germany to regain its status "in the family of nations"¹⁷ since the independent policy route was not acceptable to its European neighbours. Hence, Bonn was willing to continue the integration process by agreeing to an economic union with supranational elements.

However, once again, the United Kingdom was hesitant in joining any such organization. The previously mentioned reluctance to relinquish sovereignty and London's global commitments to other organizations such as the Commonwealth and the Organization of European Economic Cooperation (OEEC) hindered its participation. Also, London doubted that negotiations between the six countries would lead to any tangible results. After all, when negotiations began with the Messina Conference in June 1955, it had been less than a year before that the EDC had collapsed. As Chancellor of the Exchequer Harold Macmillan stated, the "official view seemed to be a confident expectation that nothing would come out of Messina."¹⁸

Nevertheless, agreement among the six countries was found. On 25 March 1957, the Treaty of Rome was signed, establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). The EEC formed a common market among the six members with a number of institutions (to be examined in greater detail later) designed to promote shared decision making. Euratom was the

atomic equivalent of the ECSC; however it never developed into a significant institution within the Community, owing to the fact that the nuclear powers of the EC (namely France and later Britain) chose to pursue independent nuclear programs. Instead, it was the EEC which developed into the most important body within the Community.

Within this time period, a pattern had been established which would be reflected time and time again in the EC. France and Germany became the leading members of the future development of the Community, providing the engine for the integration process. When Britain eventually joined the organization, London's reputation as the difficult or reluctant partner became well established.¹⁹ Hence, while the addition of the United Kingdom opened the way for a new triangular association, the shaping of an irregular triangle had its beginnings in the early years of the Community and would prove difficult to reshape.

Before greater detail is given to the institutions of the Community, it is important to bring up the role of General Charles de Gaulle. While the EC had already been established before de Gaulle acquired the presidency of France in 1958, there was some doubt as to his commitment towards the organization. As a strong nationalist who firmly believed in the preeminent position of the nation state within the international sphere, his view of

supranational organizations was somewhat suspicious.

Many problems continued to plague the French nation. The conflicts in Indochina and Algeria, former French colonies, had sapped much of France's identity and confidence. Indeed, the Algerian crisis brought de Gaulle back to power in France and enabled him to establish and shape the new Fifth Republic. Furthermore, having been a leader in France's resistance against Nazi Germany, de Gaulle was "acutely aware of resurgent German economic strength."²⁰ In addition, he was also alert to the fact that the French industrial base was relatively small and weak.

Within this atmosphere, de Gaulle sought to reshape France's sense of national identity and pride through an active foreign policy²¹ which included participation in the Community. Obviously the common market provided a tool to strengthen the French economic base which was critical to any country's ability to maintain a strong voice in global affairs. The EC also provided France with a method to bind the Federal Republic to Western Europe and prevent Bonn from any neutralist drift toward Eastern Europe.

In addition, de Gaulle felt that the Community could provide France with the opportunity to expand its prestige in the international order. The French President questioned America's commitment to Europe and felt that France should

reclaim its leadership role in Europe. Likewise, de Gaulle had similar misgivings with respect to the United Kingdom which he felt had a history of regarding itself as separate from the continent. Therefore, de Gaulle set about to form a French alternative to the prevailing bipolar order.

Recognizing that France was a medium sized country which lacked the resources of the two superpowers, the General felt that if he could control and shape the economic and political power of the organization, a third political bloc could emerge to challenge America and the Soviet Union. Thus, Paris could return to a leading role in international affairs by leading the EC to become an alternative force to the superpowers. These efforts created a tension between France and the countries favouring a dominant role for NATO (Britain and to great extent Germany).

For these reasons, President de Gaulle accepted the necessity of the organization. However, the amount of sovereignty given to the EC was restricted with de Gaulle stressing the importance of the nation state. At the same time, he sought to shape the Community in his own vision to enhance France's role in the world stage. Whenever such actions proved difficult to accomplish, de Gaulle never hesitated to move outside the Community framework to increase French influence. De Gaulle's policies proved immensely popular among the French population and became a

permanent factor in French integration policies.

While de Gaulle tried to shape the EC to accomplish French objectives, the French President never hesitated to use other methods as well. In particular, de Gaulle continued to try and sway Bonn from the influence of Washington to that of Paris on the bilateral level. De Gaulle and Chancellor Adenauer were able to establish a close working relationship with each other which would be continued by their successors. This rapport produced the 1963 Franco-German Treaty which committed the two countries to regular meetings and consultations in the areas of defence, education and other cultural venues.

The French President had hoped that the Treaty would establish a coalition between the two states which would offer Europe the choice of a third political bloc with France acting as the senior partner. To his disappointment, Germany insisted on including in the Treaty's preamble Bonn's commitment to the Atlantic Alliance. The treaty would not be allowed to weaken German's ties with the United States or Britain. With Germany on the frontline of the Cold War, it was essential for Bonn to maintain close links to the Atlantic Alliance and America's military and nuclear umbrella. Although the Treaty did not achieve all that had been hoped for by Paris, the structure still provided by the Treaty has "provided a useful motor to generate cooperation,

a shared sense of purpose and developing habits in both governments to keep the relationship productive."²² Over the years this structure has enabled the two countries to establish a close working relationship which has been second to no other bilateral association in the EC.

The Institutions of the Community

Having outlined the historical formation of the Community, the next step is to examine the institutions of the EC itself. Through an understanding of the framework of the organization it becomes possible to understand the difficulties of the integration process and the workings of the triangular model.

When discussing the EC, it is important to remember that the EC actually consists of three Communities: the European Coal and Steel Community (ECSC), the European Economic Community (EEC) and the European Atomic Community (Euratom). On 1 July 1967, the three organizations were officially amalgamated, thus sharing a common Council and Commission in addition to a previously shared Parliament and Court of Justice. From this point onward, they became known as the EC, though the EEC has also continued to be a designation for the three organizations. Until the changes instituted by the SEA in the mid-1980s, the general framework remained constant.

The Commission is the EC's executive branch of the

organization. The Commission currently consists of 17 representatives who are appointed by the member countries²³ for a period of four years, while the president and vice-presidents are appointed for two year terms by mutual member consensus. Its responsibilities include proposing initiatives, implementing the policies which have been agreed upon and regulate their compliance, and acting as the general guardian of the Treaties. Furthermore, these commissioners are expected to act independently from their national governments.

Perhaps the most important role of the Commission is its power to formulate policy proposals in the EC. While the Council must make the final decision, it can act generally only after the Commission has proposed an initiative. This has given the Commission an influential role in the process since it shapes the initiative and has the ability to mediate for its proposal.

Nonetheless, it is the Council which has maintained the key position within the EC policy decision-making process. This body is composed of ministers of the member states; customarily its composition varies depending upon the issue at hand. In contrast to the Commission, the role of the Council is to defend the position of their own governments. Each country assumes the presidency of the Council for a six month period on a rotating basis. During

the time that a country has the presidency, it is that state's responsibility to coordinate the Council's work.

While the Commission was designated to initiate proposals, it remains for the Council to accept them.

Depending upon the issue, the Treaty of Rome (under article 148) stipulates that decisions may be made either by a simple majority, a qualified majority, or by unanimity.²⁴

Generally, relatively minor business is decided by majority, while major matters were intended to be decided by qualified majority²⁵ or unanimity. It was originally anticipated that many decisions would be achieved by qualified majority, with only those of the utmost importance being left to a unanimous vote.²⁶ However, this scenario failed to develop.

As previously outlined, Charles de Gaulle had sought to limit the amount of sovereignty to be transferred to the EC. The Treaty had established a transitional period to end in 1965 after which qualified majority voting would become the general rule. At this time de Gaulle staged a crisis within the Community. The end result was the "Luxembourg Compromise" in 1966, which determined that no other member could countermand a government which opposed draft legislation if it was of vital interest to that member state. In practice, the result was that the Council generally became unwilling to bring any relatively major issue to vote if unanimity could not be achieved.²⁷ Thus,

de Gaulle insured that supranationality would not intrude into the domain of the nation states.

Two other institutions also deserve attention, these being the European Parliament and the Court of Justice. The Parliament was intended to bring an element of democratic accountability to the organization and since 1979 has been elected by universal suffrage. Traditionally, however, the Parliament has only been assigned modest legislative powers. The issue over how much power should be assigned to the Parliament has reflected the difficulty of the integration process as each country tries to cope with their own institutional traditions and the issue of the loss of sovereignty.

The last original EC institution to be examined is the Court of Justice. The Court is composed of thirteen judges appointed for six year terms. The Court's role is to settle disputes among members, institutions and people and to make sure that EC laws are administered and carried out accurately in each country. The Court has made several important decisions which have enhanced EC integration, including rules establishing the acceptability of home market regulations.

This brief overview provides the general framework with which EC integration has progressed. Through studying the changes made to the institutions of EC it is possible to

determine whether further progress in European unity has been achieved. Also, it is possible to take note of the limits on how much the three countries will sacrifice their sovereignty in return for perceived benefits.

British Membership and Further EC Development

After the formation of the Community, international and domestic events continued to influence and shape the functioning of the organization. Within the EC itself, Franco-German cooperation remained essential to further the integration process. When the two countries were in agreement, European unity was furthered. However, when such a partnership was unattainable, the process often ground to a halt. The Luxembourg Compromise was a clear example of such a situation. While Germany (backed by the other member states) urged France to rejoin the group and support the original intentions of the Treaty, Paris would not budge from its position. The result was EC stagnation.

On the other hand, London found itself outside of the Community framework. Having decided not to participate in the organization, it was beyond Britain's ability to guide the EC which by the early 1960s had begun to emerge as an important economic entity, nor could it reap any of its benefits. Indeed, Britain began to look at the EC's economic growth with envy. While Britain's economy continued to rebuild and grow, it became apparent that from

the mid-1950s onward that the United Kingdom was losing ground in comparison to France and Germany. This trend continued until the United Kingdom was finally allowed to join the EC in 1973. For instance, in 1954 France's GDP was 22% lower than Britain's, while the Federal Republic's was 9% lower. By the time the United Kingdom joined the EC, France's GDP was about 30% larger than Britain's and Germany's over 60% larger.²⁸ It also became apparent to London that unlike the EDC, the EEC would continue to thrive with or without its participation. Hence, British leaders began to feel that the EC could yield potential economic benefits to the country from which it was excluded.

Other factors also played a role in reshaping Britain's position toward the EC. While the United Kingdom maintained close ties with America, its "special relationship" had not yielded the results originally anticipated. The United States would not let its foreign policy be guided by London as the 1956 Suez incident clearly showed. While Washington accepted London as a loyal partner, Britain was the junior partner in the relationship. Also, the United Kingdom's relationship with the Commonwealth clearly was not producing the political or economic advantages that it had in the past. As Britain's former colonies continued to gain their sovereignty, the Commonwealth developed into a large and heterogeneous

organization of independent countries in which London's leadership was no longer indisputable.²⁹ In addition, trade patterns began to change and Britain's central role within the system began to decline. Therefore, the Commonwealth no longer provided London with a solid organization which through its undisputed directorship could enhance Britain's political standing in global affairs or in economic terms.

It eventually became impossible for Britain to ignore the importance of the European continent. London became aware that it stood to lose in the future if it did not get involved in the organization and shape it towards its own needs. Consequently, in July 1961, the United Kingdom applied for full membership in the Community under the Conservative government headed by Prime Minister Harold Macmillan. However, the manner of the announcement was extremely guarded and lacked eagerness,³⁰ thus indicating that while London recognized the necessity of EC membership, its heart remained outside Europe.

Meanwhile, the two major EC powers reacted differently to the United Kingdom's application. The Federal Republic, first of all, welcomed the prospect of British membership, feeling that the addition of London would help complete the organization. Britain's commitment to democracy, the Atlantic Alliance, and its diplomatic and economic strength could only enhance the Community.

Furthermore, Germany hoped that the United Kingdom would act as a political counterweight to France in the EC.³¹ With Paris consistently trying to shape the EC for its own purposes, Bonn felt that London would be able to balance the situation. While Germany valued its special relationship with France, their views did not always coincide and London would bring to the Community a strong voice for the interests of the Atlantic Alliance, which was critical for German stability but which France was trying to distance the Community from.

Conversely, Charles de Gaulle had grave doubts as to the value of British participation in the Community. Britain's enthusiasm for the EC and their long term commitment to the organization was one of the main issues questioned by Paris. Furthermore, de Gaulle saw the Community as an instrument which Paris could manipulate to enhance its own international standing. Recognizing that Paris had limited economic resources at its disposal, it sought to be the dominant partner in the Franco-German association.³² Essentially, de Gaulle felt that if he could control the partnership France could break the confines imposed on Paris by the bipolar international environment. As R. W. Johnson has stated:

The aim was a partnership of French brains and German muscle which would not only make it clear that Europe was to be ruled by its dominant

nations and not supranationally, but would also provide the nucleus of a potent European bloc willing to stand up against both superpowers.³³

Thus, the entry of the United Kingdom into the EC posed a threat to de Gaulle's aspirations. Owing to Britain's continued close relationship with America in the defense realm, de Gaulle did not hide his view that London would function as an American "Trojan horse" within the EC.³⁴ This suspicion was confirmed to de Gaulle by the Nassau accord in which the United States agreed to supply Britain with Polaris missiles.³⁵ Under the pretext that Britain would not be a committed member of the EC, de Gaulle vetoed London's application. This general sequence was repeated in 1967, with de Gaulle vetoing a second British inquiry to the EC. While the other members of the EC were displeased with France's actions, none challenged the French decision.

However, changes in the domestic and international environments encouraged France to finally change its position toward British membership. Domestically, the French government came under greater pressure to focus on internal problems. The student and worker unrest which struck France in 1968, along with a weak French franc and an increasing balance-of-payment deficit signalled that greater emphasis had to be shifted to solving domestic economic and political difficulties.³⁶ Likewise, international events made France rethink its foreign policies. The Soviet

subjugation of Czechoslovakia in 1968 ended any French pretense of influencing Soviet policy, forcing Paris to refocus on its relations with Western Europe and the EC.

Also, both de Gaulle and his successor, Georges Pompidou in 1969, became increasingly concerned over the economic and political independence of the Federal Republic. Under the direction of Willy Brandt, first as the Federal Republic's foreign minister and later as its chancellor, Bonn pushed forward with a new foreign policy initiative, Ostpolitik, which sought to normalize relations with East Europe. Ostpolitik represented Bonn's first independent foreign policy initiative which also threatened to displace France's attempt to expand its diplomatic and trade in the Communist bloc.⁹⁷ In addition, Germany was now emerging as the dominant economic power within the Community. Therefore, the United Kingdom was increasingly seen "as a counterbalance to a Germany which might drift out of the French orbit."⁹⁸ Thus, when the British Conservative government, headed by Prime Minister Edward Heath, began to make inquiries in renewing its application, France responded positively. On 1 January 1973 Britain, along with Denmark and Ireland, officially became members of the EC.

Before moving on to examine the triangular association and the integration process, several other EC developments must be considered. First, while Pompidou was

much more positive toward British membership and failed to share the extreme anti-British view which his predecessor had held, he wanted to achieve agreement on the outstanding issue of the EC budget.³⁹ Prior to this point, the Community did not have the ability to raise finances independently; instead members contributed specific amounts to the budget each year determined through negotiations. This process was tedious and often contentious.

In 1970, a compromise was reached among the six countries whereby the Community would be able to raise its own revenues from agricultural levies on imported food and receipts from the common external tariff on industrial products, coupled with a amount equal to 1% of national revenues from the Value Added Tax (VAT).⁴⁰ This agreement had far reaching consequences on the payments which Britain would later have to contribute to the EC budget. Since the United Kingdom imported far more agricultural and industrial products from outside the EC than other members, Britain faced the possibility of becoming one of the biggest net contributors to the budget.⁴¹ This was to become an area of disagreement between Britain and the rest of the EC in the future.

Another development which began to take form during this period was that of the European Council. In 1969, Georges Pompidou initiated a summit meeting of heads of

government of the member states at The Hague. While at this time the integration process had been stalled, the political leaders were able to achieve progress in several fronts including enlargement, Economic and Monetary Union (EMU), and European Political Cooperation.⁴² Summits were also held in 1972 (Paris) and 1973 (Copenhagen), and while little integration progress was made, the beginnings of a permanent process were established. Through the work of French President Giscard d'Estaing, who succeeded Pompidou after his death in 1974, and Chancellor Schmidt, who had replaced Willy Brandt also in 1974, European summits became an informal component of the EC. Presently, at least three meetings a year are held between the EC's heads of government, their foreign ministers and the president of the Commission. Therefore, the European Council has developed into the decision making center of the EC, acting as a "board of directors" for the organization.⁴³

Two other institutions, although outside the legal framework of the Communities treaties, require examination. These are European Political Cooperation (EPC) and the European Monetary System (EMS). While these institutions developed separately from the EC's official bodies, they have played a major role in the integration process, over the last two decades. Since foreign policy and monetary issues have traditionally been issues of strict sovereignty

they had been left out of the EC's treaties and out of the realm of its supranational institutions.⁴⁴

EPC had its inception in 1970 with the decision by the member states to hold meetings among their foreign ministers at least two times a year in order to harmonize their policies and present a more united position on global issues for the EC. Thus, it was an attempt to increase the political strength of the EC through forming a united bloc in international affairs. Decisions among the member states require unanimity (and the decisions are not binding) which often slows the process to a crawl. Interestingly, Britain chose to participate in this organization from the start. With supranationality not an issue, London felt that the EPC could enhance its position in the EC and quietly promote its own global interests.⁴⁵

While the EMS was only established in 1979, much of its roots lay in the early 1970s. After the collapse of the Breton Woods system in 1972, the EC attempted to form a zone of monetary stability within the Community. What came to be known as the "Snake", required the participating countries⁴⁶ to maintain their currencies within boundaries determined by a grid, which calculated a bilateral central rate with all currencies involved, and permitted each currency to vary around this rate within limits of 2.25% in either direction.⁴⁷ However, the system quickly ran into

complications and the British pound, the French franc and the Italian lira all left the system permanently within a couple of years. Three of the four largest members failed to stay in the system, thus casting doubt on the viability of any such order in the EC.

Nevertheless, in 1979 the EMS was formed to maintain a zone of monetary stability through the cooperation of the EC members. The key element of the system was the exchange rate mechanism (ERM), which consisted of two elements. Similar to the Snake, the ERM has a grid by which each currency has a parity with every other currency and may vary in either direction by 2.25% (Italy was allowed to fluctuate by 6%). If a currency falls out of these boundaries, the obligation to correct the situation is shared as the affected central banks are required to act accordingly: the banks must either sell or buy the necessary currencies to bring them back within the margins. Secondly, the ERM has a divergence mechanism which when triggered, the offending country must take appropriate disciplinary action to correct the situation.⁴⁸ Finally, the EMS attempted to establish a framework which provided for more consultation, especially in the macroeconomic arena.⁴⁹ While the United Kingdom joined the EMS it declined to join the ERM, thus once again isolating itself within the EC.

Having briefly outlined the history and the

institutions of the EC up to the entry of Britain into the Community, several observations are apparent. First, the United Kingdom established its reputation as the "reluctant" member of the EC. Having initially eschewed the Community, London seemed to join the EC only begrudgingly. Second, domestic and international events changed the countries positions with respect to European integration. For example, the United Kingdom saw its economic base decline in comparison to rival EC members and also London's international alliances failed to enhance its international standing as hoped for. Hence, joining the Community became a more desirable policy option for London in the 1960s. In addition, having considered the institutional structure of the EC, albeit briefly, enables one to determine whether future policy actions represent a movement from past trends and whether EC integration has truly advanced. Therefore, it is now possible to develop the triangular model in greater detail and its role in the European integration process.

The Triangular Model and EC Integration

From the time that the United Kingdom joined the EC in 1973 until the early 1980s, European integration advanced very little. This period was characterized by internal budget disputes, emphasis on national solutions to internal difficulties, and a general lack of cooperation in

the integration sphere. The fact that EC integration was a slow process was not surprising. In the early years of the Community, it was the Franco-German relationship which drove EC integration. With the addition of Britain, ideally the task of leadership should have been equally assumed by all three countries to further the strengthening of the EC to its full potential.⁵⁰ Instead, what had "been a virtual duopoly was now converted into an uncertain triangle,"⁵¹ with the United Kingdom weakening the integration process by deliberately slowing down EC unity.

As soon as Britain became a member of the Community several international events and domestic problems occurred. In the international arena, the Western industrial countries were hit by a sharp rise in oil prices due to conflicts in the Middle East and a severe recession. These problems increased the internal pressure within the individual countries and many responded with national policies instead of turning toward further EC cooperation to relieve the economic difficulties. In addition, national governments also changed hands, often introducing new policies and priorities with regard to EC integration.

Several events occurred which immediately cast the United Kingdom as a reluctant partner within the Community. One such issue centered on energy policy and the oil crisis. Even before the oil crisis, the issue of an EC energy policy

was a difficult one with little progress accomplished.⁵²

However, with the outset of the conflict in the Middle East and the ensuing oil shortage, most member states became convinced that France was correct in advocating an accord on internal regulation of the Community market in oil.⁵³

As in the past, Britain was again unwilling to allow for an expansion of Brussel's powers in this domain and lined up against the French and their new ally, Germany. With Britain aware of its vast oil reserves in the North Sea and mired in economic problems, domestic political pressure prevented the Heath government from reaching an agreement. Such actions were not forgotten by other EC members when Britain pushed for policies which could yield positive benefits for London. An example of such an occurrence was the formation of the European Regional Development Fund which was designed to aid regional economic programs in depressed areas. London wanted a substantial budget so that it would be able to benefit from a large pool of reserves. However, in remembering Britain's position in the energy negotiations, Germany hardened its position and in the end, the fund was established with a smaller budget than London had desired. Stephen George points out that this was an example where,

domestic political constraints hindered the evolution of British policy within the Community and prevented concessions being made that might

have achieved corresponding concessions on issues important to Britain.⁵⁴

The result was that Britain continued to develop the reputation as a country which refused to make any tradeoff in return for gains in other EC programs; the United Kingdom was seen as a zero-sum player. Instead of cooperation, European policy became tangled in the power struggles within the triangular model and integration failed to evolve as strongly as anticipated.

Another event which presented London as the odd man out was the demand by Britain in 1974 to renegotiate its terms of entry and then put it to a referendum with the British public. While it was generally recognized that this decision by Prime Minister Wilson was intended to placate both the anti-EC and pro-EC wings of the Labour party and that he remained committed to the EC,⁵⁵ it did reinforce the image that London's heart was not in Europe. The renegotiation process created a substantial disturbance in other Community business and the nationalistic rhetoric which echoed from London was also disheartening to the other EC members.⁵⁶ The end result was little actual alteration to the terms of the original British membership and acceptance by the British electorate by a comfortable margin.

Yet, the Community did experience some development

during its period of "Eurosclerosis". EPC, for example, has been called a "shining example of non-binding but strongly supported cooperation"⁵⁷ within the EC since all three countries actively participated in the organization for various reasons. With the whole area of defense excluded from the treaties of the EC, the Federal Republic emerged as EPC's most enthusiastic proponent. While Bonn moved to establish a more independent foreign policy in the late 1960s it still had to be extremely careful in its actions. The historical legacy of Nazi Germany remained fresh on the minds of Bonn's neighbours and any independent foreign policy initiatives were regarded with suspicion. Through the EPC, Germany was given the opportunity to advance its policy objectives indirectly, that is in concert with the other member states of the EC. Moreover, Germany could distance itself from American policy by siding with other Community members under the banner of European solidarity.⁵⁸ Therefore, Bonn was generally well inclined toward further EPC development.

France also participated actively in EPC. As mentioned earlier, Paris had actively tried to rid itself from the confines of the bipolar international order and establish its "rightful place" among the superpowers. Through EPC it was hoped that France could harness and guide the resources of the Community states into a third bloc to

challenge the United States. Also, through the consultation process established by EPC, another way to bind or monitor Germany's foreign policy objectives was obtained.

Nonetheless, there were clear limits of Paris' commitment to the organization. France continued to pursue other avenues of foreign policy, including the maintenance of its independent nuclear forces and army. France also remained outside the command structure of NATO while at the same time encouraging Germany to continue binding its military forces and policies to the Atlantic Alliance when it became clear to that Paris would be unable to convert Bonn to its policies. Furthermore, Paris never wavered from the view that the nation state was the preeminent actor in the system. Thus, supranationality was not considered and no EPC decisions were binding on any country. The legacy of de Gaulle's foreign policy continued.

The United Kingdom also played an active role in EPC. The framework of the organization provided London, like Bonn, the opportunity of distancing itself from Washington in an unassuming manner. EPC allowed Britain to subtly dissociate itself from American policy towards the Afghanistan crisis while at the same time supporting Washington's general policy.⁶⁹ The organization also provided a way through which London could advance its own foreign policy objectives. Unlike France, Britain believed

that the Atlantic Alliance was the best deterrent to the Communist threat from East Europe. Hence, London was in a position to advance its own policy priorities and limit any drift of the EC from its commitment with the United States or the Atlantic Alliance.

Therefore, while EPC did develop into an active organization, its overall effectiveness in advancing EC integration was limited. EPC did allow for the establishment of regular consultations between the member states and a genuine method to increase foreign policy coordination. Indeed, it has become a routine for EC members to consult each other before initiatives are taken. However, EPC did not develop into any semblance of a supranational organization. Instead, it was purposely kept out of the official Community framework and its decisions were unanimous and non-binding. While Germany favoured the idea that EPC should develop along more supranational lines and make policy choices to become more efficient, the United Kingdom and France were firmly opposed to such an occurrence. Therefore, while the EC made some small integrationist steps forward, the existing problems with triangular association prevented any major achievements in this direction.

The development of the EMS has been cited as the other major accomplishment of the EC during this period.

Like EPC, the EMS was developed outside the official framework of the EC. As outlined beforehand, the EMS was designed to create a zone of monetary stability. Giscard, noting that Japan and the United States had better economic performances than Europe in the 1970s, felt that this was due in part because both countries did not suffer from the worry of internal currency variations like the EC.⁶⁰ As a result, currency fluctuation became increasingly identified as an economic hinderance.

The formation of the EMS, like much of EC development, centered on the "internal politics and interrelationships of three major Western European states--France, Germany and the United Kingdom."⁶¹ The evolutionary pattern of the EMS followed the triangular model; the Franco-German alliance spearheaded the proposition and the United Kingdom, lacking enthusiasm over the proposal, tried to slow the process.

Each country had various motives for advancing their policies toward the EMS. France had traditionally been willing to accept a higher rate of inflation in return for lower unemployment rates and felt that devaluation was beneficial for trade. Yet, France began to readjust its thinking as the 1970s wore on. By the mid-1970s, Paris became concerned by the inclination of currency devaluations to spur domestic inflation as increased import costs worked

their way through the system. Furthermore, because currencies floated, inflation stimulated the currency to drop even further, thus raising the possibility of a spiraling cycle of depreciation and inflation.⁶² In such a scenario, French international competitiveness would be affected and unemployment could increase. Thus, as France began to accept the concept of anti-inflationary measures and stabilizing the French franc, it could not help but notice the German success in achieving all of these goals.

Likewise, Germany was also interested in forming a stable currency zone. Besides economic reasons, political motives also encouraged Chancellor Schmidt to push the project forward. Schmidt believed that solidarity with other EC members was an essential investment in maintaining relations and room to manoeuvre as German economic strength continued to grow.⁶³ Also, Bonn felt that by locking the other currencies to the Deutschmark and creating a stable currency zone, excessive upward pressure on their currency would be reduced.⁶⁴ With the export sector so vital to Germany's economy, a stable currency could only help its manufacturing base.

On the other hand, Britain had grave doubts on the benefit of joining such an organization. First, member states were committed to sustain certain exchange rates and at the same time the system provided no device for fiscal

policy collaboration. If any country attempted to pursue such a policy independently, its balance of payments would worsen, and the resulting reserve loss would force a policy U-turn.⁶⁵ Hence, individual states would be unable to use fiscal policy on its own, thus limiting the ability of the Labour government to carry out sovereign economic policies. Additionally, the past involvement in the Snake alignment was disturbing to London. During the first two months of the system's operation, Britain lost about a third of its foreign currency reserves.⁶⁶ Furthermore, Prime Minister Callaghan saw the proposal as a conflict with his own desire to deal with international economic problems through existing global institutions (such as the IMF and OECD) which the United States also advanced as solutions to economic problems. Therefore, it was hardly surprising that the United Kingdom view any replacement system with scepticism.

As a result of these countries' varying positions, no trilateral agreement could be reached. Instead, the British were opposed by a Franco-German alliance. In the end result the EMS was agreed to by all nine members, with the United Kingdom refusing to join the ERM.⁶⁷ The fact that the EMS went ahead without British participation brings up the question of whether London was really a necessary element in the integration process, or whether the bilateral

Franco-German relationship is the independent variable in the model.

On this issue, it can be argued that this was the continuation of a general trend or pattern within the model. In the first place, the United Kingdom failed to correctly appreciate the determination of France and Germany to reach an agreement.⁶⁸ Furthermore, this particular proposal was not attractive enough for London to join ranks with the other two states. The issue of sovereignty, Britain's wish to reinforce its interests with America, and internal divisions within the ruling party made it impossible for the triangular association to close ranks around the EMS. However, it was not necessary for Britain to launch an all out assault on the formation of the EMS. With this organization following the failure of the Snake, it was by no means a foregone conclusion that the new endeavor would be successful. Also, while Britain did not join the ERM, London did state that when the time right it would join the mechanism, thus keeping one foot in the door. Overall, this pattern repeated past trends observed in the European unity process. A definite triangle existed, even if it became more irregular in shape depending upon the issue at hand.

Thus, as the decade of the 1970s was coming to a close, EC integration had not made substantial gains. While EPC and the EMS were agreed upon, they both remained out of

the scope of the supranational institutions of the EC. Integration in other sectors proved to be difficult and contentious as issues bogged down in disagreements among the three countries. This was especially apparent in the struggle over budget contributions. Additionally, the European market remained far from a true "common" market as nontariff barriers hindered the flow of free trade in the EC. It was in this light that Margaret Thatcher assumed power in the United Kingdom.

In 1979, Margaret Thatcher led the Conservative party back into power. The immediate impression that the French and Germans received was that Thatcher headed a government with which they could do business.⁶⁹ Thatcher immediately sought to assure her colleagues in France and Germany that Britain would remain committed to the EC.

However, new harmonious relationships were not able to develop. As in the past, Britain's chief concern shifted back to its budget contribution to the Community. While the Thatcher government had a legitimate grievance, Thatcher's "hectoring" tone and her reference to Britain's net contribution to the EC as "my money" only succeeded in angering her partners.⁷⁰ In addition, Thatcher made it clear that she would play a disruptive role within the system unless a satisfactory agreement was reached. Thus, once again Britain raised the hackles of its main partners.

Furthermore, while the continent was becoming more crucial to Britain's well-being, it was difficult for London to refocus its global view to Europe. William Wallace has pointed out that Britain's political class has had a difficult time abandoning the English national myth: Magna Carta, British sovereignty and traditions, and its island status.⁷¹ Indeed, Prime Minister Thatcher certainly fell into this category, with her constant theme of reestablishing Britain's national pride and special character. Also, Thatcher placed even greater emphasis on their "special relationship" with the United States. The Thatcher government reconfirmed that Britain's traditional position in the triangular association.

Meanwhile, France also experienced a change in government as François Mitterrand assumed the presidency in 1981. While Mitterrand was a noted supporter of the Community, his economic policies ran counter to many of his EC partners, including Germany and the United Kingdom. Mitterrand's government immediately set out on an expansionist program to alleviate France's unemployment rate. As a result, Mitterrand faced the very problem which London had feared when it refused to participate in the ERM, namely a depreciating currency which required corrective action within the system that ran counter to Mitterrand's attempts at expansionism. Thus, by 1983, Mitterrand was

faced with the decision of maintaining the franc in the mechanism or pulling out. It did appear possible that the EMS was beginning to unravel.

Summary

Throughout the years of the EC, the integration process has been an ongoing event. No one country has been able to single handedly build the Community. While France attempted to shape and influence the institutions for its own purposes, it required the help of Germany to drive Europe forward. With the addition of the United Kingdom, this alliance gave way to a triangular association which slowed down the integration process due to its irregular configuration.

The history and traditions of the three countries have helped shape their respective policies within the model. Britain, owing to its own unique history, culture and geographical location established a reputation and arguably a mindset, which made it a begrudging partner in the EC. Likewise, de Gaulle left his stamp on French policy by establishing a popular approach to European cooperation but at all times emphasizing the role of the French state within the system. Germany's situation following the war encouraged Bonn to use European integration as a method to restore its sovereignty in economic and foreign affairs. Of the three, Britain formed the loosest position in the model

with respect to EC integration, while the other two have formed a closer alliance to push for further integration. Yet, France has also been careful in relinquishing its sovereignty to supranational institutions within the EC. The result has often been uncertain or limited progress in the integration process.

However, with the international and domestic environments changing, governments are forced to constantly reevaluate their policies toward the EC. Thus, there is room for positions to change and allow for the model to change. Also, by studying the institutional structure it is possible to recognize future integration trends by noting changes in the powers assigned to the various institutions and the reason behind such policies.

Thus, the prevailing situation at the beginning of 1983 was not one of optimism. The past decade had yielded limited progress in European unity. Moreover, the governments of Britain and France appeared to be hardening their positions toward the Community. In the midst of these problems, Germany's continued commitment to Western Europe, particularly with respect to the Euro-missile issue, began to be questioned. The EC integration process seemed to become mired in a series of problems.

ENDNOTES-CHAPTER TWO

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CHAPTER THREE

THE SEA AND THE TRIANGULAR ASSOCIATION

The Single European Act (SEA), signed in 1986, launched a fresh effort to complete the Common Market. As Nicholas Colchester and David Buchan spelt out, "after a dozen years of stagnation and sliding morale, the European Community bewitched itself back into motion."¹ The SEA, the first significant constitutional amendment to the Treaties of the EC, provided the member states with the framework to permit the free movement of finance, capital, goods, and people within the Community, thus opening the way for truly liberalized trade. While scholars may debate the specific details of the act and their impact on the integration process, there is no doubt that the SEA represented a major step forward from the years of "Euroclerosis" which had characterized the EC. With SEA, the Community ended its previous years of wrangling and go-it-alone policies in favour of a more coordinated approach.

This chapter will consider how the Community was able to move forward from its years of stagnation to a more cooperative nature as embodied in the SEA. It will become apparent that changes in both the domestic and international

environments influenced the thinking of the member states towards European integration. This was decidedly evident among the three major EC powers of Britain, France, and Germany. In addition, it will become clear that the triangular association played an important role in shaping the SEA. Particular attention will be given to the bargaining issues of majority voting and institutional reform, and the nature of the interstate negotiations which fashioned the final outcome.

A Changing Environment

As previously described, the situation which prevailed in the Community during the early 1980s was one of stagnation. Facing an economic recession and rising energy prices, EC member states generally opted for nationalistic policies to solve their economic problems rather than taking a wider European approach. The French were precisely caught up in this dilemma with respect to their position in the EMS. Persistent disagreement over Britain's budget contribution and Prime Minister Thatcher's rigid stance over the issue further hindered EC cooperation. These disputes required resolution before greater progress could be made with regard to EC integration.

Events outside the control of the EC member states began to force the countries to reevaluate their policy decisions. Both Japan and the United States were

increasingly seen as the leaders in the high-technology industries and economic growth, with Europe lagging behind. Between 1963 and 1980, for example, EC countries saw their percentage of high-technology exports to OECD markets drop significantly.² This trend continued in the early 1980s with the share of EC exports to OECD countries decreasing by 1.4% between 1979 and 1985. Meanwhile, the United States and Japan increased their proportion of trade by 1.2% and 7% respectively.³ Japan's increased competitiveness in many industries combined with the American emphasis on microelectronic technology production worried the major European governments that they might be left behind in the critical industries of the future. Both Britain and France began to question their ability to compete, as national firms continued to lose ground to their Japanese and American rivals. Even the Federal Republic of Germany became anxious over its vulnerability in high-technology industries.⁴

Additionally, a more protectionist mood in the international trading arena seemed to be emerging. While the United States had been the leading advocate of free trade and multilateralism, rumblings in Washington began to indicate that a more stringent policy towards trade was to begin. Likewise, Japan remained a difficult market for European firms to break into and establish a strong

foothold. Therefore, the unification of the EC market itself gathered credence as an important element for European growth strategies.⁵

During this period, a consensus among European governments, firms and scholars began to emerge that a principal reason for the decline of European competitiveness was the fragmentation of the Community economy into national markets.⁶ Increasingly, individual countries found that in a global economy, it was difficult to find and implement national policies successfully. The pooling of EC resources offered a practical alternative to change this situation.⁷

Several problems continued to plague the EC and prevented the Community from operating as an actual common market. A number of impediments to free trade remained in the EC, including physical, technical, and fiscal barriers. For example, both custom controls and differing technological standards prevented the free movement of goods within the Community and increased the operating costs of European firms. The benefits for European companies would be great if such trade obstacles were removed. Corporations would be able to improve competitiveness through the better utilization of economies of scale, lower transport costs, and increase their ability to develop new products owing to the dynamics generated by the internal market.⁸

Another factor which emerged concerned the foreign

and security policy arena. The European countries in the Atlantic Alliance increasingly saw American foreign policy as volatile and unpredictable.⁹ President Reagan's aggressive approach to the Soviet Union and his Strategic Defense Initiative (SDI) program, combined with the United States' lack of consultation with Europe made the major European allies somewhat wary. Also, increased pressure from Washington to limit European economic contacts with the Communist bloc hardened the European view that its own concerns were secondary in American policy consideration. At the same time, Britain and especially France became concerned over West Germany's position within NATO. The fact that Bonn hesitated over the stationing of NATO missiles on German soil to counter the stationing of Soviet SS20 missiles caused anxiety in Paris and London. Therefore, the EC was seen as a possible instrument to enhance Europe's position vis-a-vis the United States by providing a single voice to discuss Washington's decisions which affect the economies of Western Europe and to further bind Germany to the West.

As a result of these factors, EC member states were forced to consider ways to adjust to a changing international environment. With the continent faring poorly in economic and high-technological growth in comparison to America and Japan, the completion of the Single European

market became a more viable policy option. Likewise, concerns in the foreign policy realm began to force the EC to consider greater European cooperation as a way to alleviate security fears. However, before greater progress could be made in this field, the outstanding issues which divided the Community had to be resolved.

Towards Increased European Cooperation

It was within this environment that Paris had to decide whether to remain committed to the EC. In 1983, President Mitterrand's resolve to remain true to the unity of the Community was tested by his decision on what role France was to play in the EMS. As outlined earlier, Mitterrand was faced with the decision of either maintaining his expansionist economic policies at the expense of France's membership in the EMS, or reversing course and following an anti-inflationary plan of economic growth which was required to stabilize the franc's parity in the ERM.

Ultimately, Mitterrand chose to maintain French participation in the EMS. As in the past, Germany was a central factor in the Mitterrand's decision. In 1980, France had a trading deficit with Germany of 17 billion francs.¹⁰ However, between 1979 and 1983, this deficit increased by 44%, its inflation rate stood at a substantially higher rate than Germany's, and France was still plagued by high unemployment rates.¹¹ Under these

circumstances, the French public were becoming disillusioned with the various Socialist policies, which encouraged Mitterrand to consider another policy track. At the same time, Chancellor Kohl continued to press Paris to devalue the franc and remain committed to its European responsibilities. Hence, France was not only faced with the problem of affirming its role in the EC, and therefore its partnership with the Federal Republic, but also a weakening domestic economy relative to Germany. In such a setting, Mitterrand saw the virtue of reversing his economic program and adopting a more German favoured anti-inflationary strategy.

The crisis over the deploying of missiles on German territory also affected Mitterrand's decision not to withdraw from the EMS. While Bonn officially supported the stationing of the missiles, a significant segment of German population began to oppose an increase in the number of nuclear weapons on German soil.¹² As this pressure continued to mount, doubts about Bonn's commitment to the West began to grow. This was particularly evident in France, as Paris perceived West Germany as vulnerable to Soviet influence and feared that Bonn might drift away from the West and the EC.¹³

To counter this possibility, Mitterrand actively encouraged the German government to go through with the

deployment and uphold its Atlantic commitment. The French President even went as far as to address the Bundestag and encouraged them to follow this line of reasoning. Given this tactic of urging Germany to accept nuclear weapons in early 1983, France could not have realistically withdrawn from the EMS three months later without damaging their relationship and credibility with Germany.¹⁴ Thus, Paris chose to remain in the EMS, confirming "that France's natural milieu, her framework, was the Europe of the European Community."¹⁵

After this decision, President Mitterrand became much more active in EC affairs and established himself as a leading proponent of European integration. As President of the European Council in 1984, Mitterrand took personal charge in brokering the dispute on Britain's budget contribution which continued to paralyze the EC. Paris pledged to spare no effort in attempting to solve the problems that stood in the way of advancing European unity.

To many observers, Mitterrand's dedication to advance EC integration ran counter to the Gaullist tradition of centering all decisions around the nation-state. However, in many respects, Mitterrand's policy decisions were not radically different from those of past French Presidents. As a matter of fact, all French Presidents of the Fifth Republic have conceded to the inherent rationale

of integration in order to advance French policy objectives.¹⁶ Even de Gaulle agreed to the formation of the Community in return for economic benefits for French agriculturalists and industrialists.¹⁷ Furthermore, de Gaulle never hesitated to try and unite the Community as a single bloc under French leadership in order to challenge the bipolar constraints imposed by the United States and the Soviet Union or to bind Germany to the West.

President Mitterrand was obviously concerned with America's aggressive economic and foreign policies in the early 1980s. Like past French Presidents, Mitterrand saw the EC as a possible solution to limit the influence of outside forces upon France and the continent as a whole. Such reasoning was clearly evident in his speech to the European Parliament in May 1984, stating that:

...the choice is between letting other people on our continent and outside our continent decide on everyone's destiny, ours included, and combining all the talent and ability, the creative ability and the material, spiritual and cultural resources that have combined to make Europe a civilization...¹⁸

At the same time, Paris could not help but to be cognizant of Germany's continued economic strength relative to France's and the importance of the German market to the French economy. Moreover, with the EC not being a divisive issue in French politics,¹⁹ Mitterrand was able to cultivate an active and popular foreign policy issue of EC unity to

the electorate. Therefore, the environment of the early 1980s reinforced the viability of furthering EC integration as a way for France to challenge the bilateral order, vitalize the French economy, to open up German markets, and to strengthen German ties to the West.²⁰

The situation which prevailed in the United Kingdom and the Federal Republic of Germany also favoured increased integration. With the widespread influence of Keynesian economic ideas in post-war Western Europe, EC governments were reluctant to transfer control of economic policy decisions to the European level in order to achieve the goal of full employment.²¹ The result of this coordination failure was a Common Market in name only. The inconsistency between Community trade liberalization policy "and the conscious attempt to regulate the market domestically"²² hindered the formation of a truly united economic entity. However, with the rise to power of Thatcher in 1979 and Kohl in 1982 and a continent mired in a recession which individual national economic policies failed to tame, Keynesian economics became increasingly discredited. France's reversal in economic policy coincided with the changes that had occurred in both of the other two countries, thus allowing for the three to agree on the basic necessity of advancing the idea of liberalized trade within the Community.

With Thatcher's vault to power in the United Kingdom, her reluctance to commit to the idealism of European unity was apparent. Proudly recalling past British achievements, and having basic ideological differences with the interventionist tendencies of the EC (which in Thatcher's view hindered the workings of the free market), Thatcher clearly preferred to maintain Britain's traditional world responsibilities rather than stress EC policies. The Prime Minister's cultivation of relations with Washington markedly reinforced the presumption that Thatcher's head was in Europe but not her heart. Likewise, Thatcher consistently reinvoked the principles which characterized Britain's national traditions including Magna Carta, parliamentary sovereignty and conventions, their island status, and the gallant history of the British people and nation.²³ Often these virtues were held above the accomplishments achieved on the continent.

Yet, while Thatcher's heart may have lain outside Europe, reality dictated that Europe required a great deal of her attention. As earlier described, the United Kingdom's trade patterns continued to shift towards Europe. At the same time, Britain experienced a significant shift in the proportion of its work force to the service sector while its manufacturing sector declined.²⁴ As the United Kingdom progressively became a leader in the service sector and

London established itself as one of the most efficient financial centers in Europe, it became important for Britain to liberalize continental trade in the services.²⁵ As a strong advocate of free trade, Thatcher had an added incentive to accept the idea of completing the Common Market.

Moreover, Thatcher was open to increased European coordination in the area of EPC. Like Paris, London was somewhat concerned by Washington's tendency to act without consulting its allies. London also saw EPC as a method to enhance its voice in world affairs. However, Thatcher maintained an active interest in the organization and did not share France's obsession for strictly separating EPC from the official EC framework.²⁶ In fact, Thatcher favoured the formation of a small secretariat to help coordinate foreign policy responses. Thus, there was the opportunity for advanced EC integration within London.

Similarly, the environment which prevailed in Bonn was open to the notion of moving the Community forward. Like his predecessors, Chancellor Kohl recognized the benefits of EC integration. The Community continued to provide an appropriate framework for Germany to act in the international sphere. Also, like Britain and France, the Federal Republic was leery of America's foreign policy - the decision by Washington to try to block any European

contracts for the building of a gas pipeline from the Soviet Union to Europe was one such example - and increased its receptiveness towards European unity.

On the economic side, Bonn was eager to solidify the Common Market. First, Germany was well aware of the benefits that it had received in the past due to the Community's trading arrangement. Furthermore, since 1972, Germany's GDP to export ratio expanded from one-fifth to about one-third of its economy in the early 1980s.²⁷ Therefore, Kohl was enthusiastic about increasing the cohesiveness and openness of the EC market. Bonn also recognized that the Community could act as a strong multilateral organization striving for the liberalization of global trade and at the same time ensure open trade within the EC for its own manufactures.

While the international and domestic environments had influenced all three countries thinking with respect to the EC, the issue over Britain's budget contribution still required a settlement. Given the United Kingdom's relative economic position, Thatcher felt that Britain's net contribution to the EC budget was far too great.²⁸ Indeed, much of the feuding in the EC during the early 1980s centered on this very issue. In October 1983, the French government for the first time backed London's claim that Britain's budget strain should be lessened, thus opening the

way to negotiate a bargain.²⁹ Combined with Germany's recognition that some type of budget readjustment was warranted, the stage was set for a possible resolution.

However, negotiations were far from smooth as antagonism over this issue was felt within the Community; particularly between France and Britain. The December 1983 Athens' European Council summit was termed as the "most disastrous since these informal thrice-yearly meetings of heads of government started in 1974."³⁰ It was under these circumstances that President Mitterrand assumed the presidency of the Council in 1984 and went about to end the dispute which paralyzed the EC.

Over the next six months, several trends became evident. First, Mitterrand took command of the situation personally, thus confirming Europe as a priority for French foreign policy. Also, it became clear that the key to any settlement of the dispute would center on agreement between the three major EC member states. Undoubtedly this was visible in Mitterrand's "shuttle diplomacy" strategy that he conducted between Paris, London, and Bonn during this period.³¹ Lastly, Mitterrand clearly established a negotiating tactic of isolating the United Kingdom within the Community in hopes of adding pressure on Thatcher. This negotiating approach was to become a recurring theme by France throughout the rest of the decade.

It quickly became clear that interstate bargains between the dominant member states were to remain the key to any EC agreement. This was apparent as Mitterrand concentrated on bilateral bargaining, with intense focus on the triangular association to further EC integration. While the Paris-Bonn agreement had traditionally been a prerequisite for EC unity advancement, bilateral talks between Mitterrand and Thatcher were seen as necessary to smooth over differences which had previously flared between the two leaders.³² In addition, Chancellor Kohl also visited Prime Minister Thatcher to help broker an agreement to end the stalemate which plagued the Community.³³ Therefore, it is possible to surmise that agreement depended upon the triangular association.

Although a general framework existed in which it was possible to build further EC cooperation, agreement among the member states was not easy to attain. The three countries had various positions on many issues which were not easily reconciled. For example, London was in favour of removing trade barriers but did not feel that such a policy required the strengthening of any EC institutions such as the European Parliament or Commission.³⁴ Thatcher "opposed any reregulation at the EC level,"³⁵ and instead stressed the virtues of the free market system. In contrast, both Germany and France felt that institutional reform was

needed, with France also favouring an EC industrial policy.

Nevertheless, Mitterrand was able to resolve many of the differences which separated the countries through his diplomatic campaigning by mid-March.³⁶ As Andrew Moravcsik observed:

The broad outlines of an interstate bargain were becoming clear. Germany and Britain were agreed on the need for liberalization, with weak support from France, while Germany and France were agreed on the need for procedural reform with weak support from Britain.³⁷

The issue which continued to stall the process remained the Community budget. The March 1984 European Council summit in Brussels ended in disarray, as Thatcher again annoyed the other member states by lecturing them on the necessity for restraint in financial matters. As a consequence, Thatcher was isolated from the rest of the EC.

Despite the fact that the Brussels summit failed to achieve a solution, Mitterrand's dynamic personal diplomacy forced hard negotiations to resume. Specifically, the French President began to emphasize the possibility of a two-speed EC, with France and Germany on the fast track and Britain relegated to the slow track. Throughout the negotiating process rumours persisted that Mitterrand was "deliberately engineering Thatcher's isolation."³⁸ Therefore, when Mitterrand followed the confrontational summit with his address to the European Parliament in May

1984, London began to take the threat of a two-tier Europe in earnest.

Mitterrand's statement to the Parliament specifically dealt with that institution's proposed "Draft Treaty establishing the European Union." This document attempted to reestablish the Communities' supranational roots and proposed that a new treaty be negotiated.³⁹ Mitterrand declared that France would be willing to "examine and defend your project, the inspiration behind which it approves."⁴⁰ Moreover, Chancellor Kohl's favourable disposition towards the Parliament's proposal increased the credibility of the possibility that London would once again be unable to influence the direction of the EC.⁴¹ In order to maintain a role in the guidance of the Community, Britain found themselves under strain to make concession towards European cooperation.⁴²

Interestingly, the development of a bargaining pattern began to evolve within the triangular association. The United Kingdom continued to maintain a suspicious attitude towards EC integration and the supranationality implicitly associated with the undertaking. On the other hand, Germany was the most eager to further Community unity. France, at least rhetorically, also embraced the concept of enhanced EC cooperation. The French continued their tradition of trying to lead the organization while at the

same time binding Germany to the West. This enabled France and Germany to credibly use the threat of raising the possibility of a two-speed EC to encourage Britain to either come on board with them or to challenge the two countries' true intentions. When the United Kingdom was able to dilute the strength of the Franco-German alliance on various issues, it was able to assert its own position more forcefully, thus pushing the shape of the triangular model towards a more equal configuration.

The breakthrough finally took place at the June 1984 European Council summit at Fontainebleau, which signalled the end of one "phase in Western Europe's search for greater unity, and opened another."⁴³ With Thatcher isolated from the others, a compromise on Britain's budget contribution was achieved. Thatcher agreed to a rebate of one billion ecu for 1984, and then 66% of the discrepancy between the United Kingdom's VAT payments to the EC budget and its proceeds from the budget in 1985 and coming years.⁴⁴ While the Prime Minister claimed that this offer was an improvement over those previously advanced, it strongly resembled former solutions, relinquishing "more to the position of the other member states than it did to the British position."⁴⁵ Essentially, Thatcher was out-maneuvred; fearing "that her EC partners meant what they said,"⁴⁶ she was willing to compromise with its EC members

rather than take the risk of seeing a two-speed EC develop with Britain relegated to the slow track.

In addition, the member states returned their focus to the internal market of the EC and vowed to work towards the completion of an authentic economic union.⁴⁷ The decision was made to establish two committees to study ways to achieve this goal. The Ad Hoc Committee on a People's Europe was set up to look at conditions relevant to the common citizen; and the Ad Hoc Committee for Institutional Affairs (also known as the Dooge Committee named after its Irish chairman) was authorized to study institutional, political, and economic reorganization.

The Single European Act

The agreement at Fontainebleau paved the way for a more constructive period for the Community. Following the solution of Britain's budget contribution, London was prepared to take on a more constructive attitude towards EC integration talks. Helen Wallace observed that Britain had crossed a "critical threshold" and became a serious partner in the negotiating process.⁴⁸ This new attitude became apparent through Britain's work on the Dooge Committee, which had taken on particular importance in the attempt to strengthen the economic unity of the EC. The Committee, made up of personal representatives of the EC heads of government, was charged with the task of developing a plan

for the long-range future of the Community and its institutions. Malcolm Rifkind, Thatcher's representative on the Dooce Committee, while vigorously presenting London's viewpoint also worked constructively and practically towards improvements to the EC institutions.⁴⁹ The United Kingdom remained an active participant in the discussions, determined to play a central role in the development process.

With respect to the negotiations on the Committee, two camps emerged which generally remained until the completion of the SEA, again reflecting the pattern established during the budget negotiations. On the one side was the minimalist group, headed by the United Kingdom and allied with Denmark and Greece. On the other, was the majority or maximalist faction which was led by France and Germany.⁵⁰ This early formation demonstrated the fact that the triangular association was not of equal strength, with the Franco-German relationship allied against Britain on certain issues. Such an occurrence reflected Britain's reluctance towards EC integration and also honest policy disagreements with the other two major EC member states.

On the whole, the majority group stressed that institutional reform was necessary for the internal market to move forward. Since efficient decisions required relatively prompt responses, the group urged the Community

to relinquish the veto that resulted from the Luxembourg Compromise in favour of majority voting, apart from those issues specified in advance as being too critical to national interests to be overturned. Another issue which was controversial in nature was that of the institutional power allotted to the European Parliament. The maximalist faction supported the principle of expanding the Parliament's decision-making powers to rectify the lack of democratic voice allocated to the representatives who had been directly elected by the citizens of the EC. Bonn was a strong advocate for this reform while Paris's position was more ambivalent. While Mitterrand publicly declared his support for such a policy, as seen by his speech to the Parliament in May 1984, he also favoured de Gaulle's position on ceding as little national sovereignty to supranational institutions as possible.

In contrast, the minimalist group, under the leadership of Britain failed to unite behind the majority on these issues. London felt that the EC framework already in place was sufficient to work with to improve decision-making efficiency.⁵¹ The idea that cooperation should not be mandated was prominent in London's thinking. This was closely linked to Britain's dislike of the notion that the EC institutions be given the added responsibility of overseeing policies, and therefore increasing their

regulatory power, which was strongly opposed to by Thatcher. This was reflected in Rifkind's statement that to the British, "institutions must be subservient to policies,"^{sz} and not the other way around. Also, given Britain's long tradition of Parliamentary sovereignty, London opposed greater transfer of power to the European Parliament. Following this line of logic, it is not surprising to find that the United Kingdom was against the abandonment of the veto which was felt to be a sacrifice of their national sovereignty.

In the end, the Dooge Committee was unable to forge a consensus among the ten members, with the countries splitting their votes in the same manner as described above. The report concluded that internal obstacles to trade needed to be removed. In addition, the majority recommended that the Council utilize more majority voting and increase the power of the Parliament in the decision-making process. For these proposals to be implemented, the Treaties of the Community required amending which could only be done through an Intergovernmental Conference (IGC). An important development which grew out of these efforts was the decision by the Council that the Community strive for the completion of the internal market. To accomplish this goal, the Council requested that the Commission develop such a program. Lord Cockfield, the Internal Market Commissioner,

was given this task and immediately set out and compiled such a framework in the White Paper.

It should also be pointed out that Paris and Bonn continued to apply pressure on London by attempting to isolate Britain with the threat of a two-tier EC. Both France and Germany recognized that with Britain on board, the odds against the "footnote countries" halting the process would be extremely high.⁵³ At the same time, London was acutely aware that it could not afford to be left out of the inner core as it had in the early years of the Community. Britain feared that if it allowed the Franco-German axis to direct the EC towards their own goals, London's interests would not be served. Thus, any hints that France and Germany were prepared to move ahead by themselves were viewed suspiciously in the United Kingdom. Consequently, on the one hand, France and Germany wished to push the United Kingdom on to the unity train, using the strength of their relationship and the threat of British isolation. On the other hand, Britain recognized that for its own self-interest it should play an active role in the process. Therefore, for varying reasons, each country had an incentive to play an active role in the negotiation process. Although once again an unequal triangular association was apparent, each realized the necessity of active participation of all three member states.

Prior to the June 1985 summit at Milan, Britain embarked on an attempt to provide a realistic alternative to amending the Treaty of Rome. The proposal included the strengthening of foreign policy coordination among the EC member states, more majority voting (and the identification of important areas of concern at European Council meetings after which the veto would not be used with respect to those issues), and the acceleration of the dismantling of trade barriers in the internal market.⁵⁴ France and Germany countered London's proposal with the joint document labelled "Draft Treaty on European Union." Interestingly, Kohl reported that it had been drawn up with the consultation of other member states, including the United Kingdom.⁵⁵ Furthermore, the ideas presented in the paper were similar to those advanced by the Thatcher government, with the only significant variation being the proposition for an IGC to draw up a new treaty. Hence, there was some grounds of agreement among the three countries heading into the Milan summit.

The June 1985 summit continued to produce the momentum towards institutional reform. Several important events emerged from this summit. First, the acceptance of the White Paper by the European Council established a base upon which further economic integration could proceed. The report clearly spelt out that non-tariff barriers were used

"not only against third countries but against fellow Member States as well."⁵⁶ Through the adoption of 300 proposals (this was later reduced to 279), the White Paper laid out the ground work necessary to eliminate trade barriers and complete the Common Market. Additionally, Lord Cockfield's report proposed that by the end of 1992, the project should be completed (thus acquiring the common usage of "1992" for the project). This suggestion was seen as a way to galvanize the EC countries into action.

The other significant development was the decision to convene an intergovernmental conference. As discussed earlier, the minimalist faction led by the United Kingdom opposed the calling of such a conference designed to amend the Treaty of Rome. However, the Italian Prime Minister, Bettino Craxi, called a vote on the issue which passed by a 7 to 3 margin. The British were offered the clear choice of either participating or risk the real possibility of a two-speed Community developing.

While the initial reaction of the Thatcher government was one of fury, it decided to participate in the business of the conference. One reason that Britain chose to cooperate was simply that it could not afford to be left out of the inner decision-making circle. As the Financial Times clearly stated:

...for Britain, the Community is the centerpiece

of a foreign policy dominated by the European imperative. The Government cannot afford to be at loggerheads with its main Continental partners for the sake of an ideological prejudice.⁵⁷

In addition, the method for amending the Treaty of Rome not only required unanimity but it also excluded the participation of the European Parliament in the IGC.⁵⁸ Therefore, Britain could directly prevent outside supranational forces from influencing the process and could use the veto as a bargaining tool if it choose to do so.

Another factor which helped convince Thatcher to actively work on the IGC was the doubts about the true commitment of the countries towards institutional reform. Mitterrand's true feelings over the amount of power that he was willing to transfer to the Parliament was one particular area questioned by Britain. Stephen George clearly outlined London's strategy:

If Britain adopted a low profile during the proceedings of the inter-governmental conference, it was their view that the French and Germans would have to stop blaming Britain for lack of progress, and show the real extent of their commitment. The expectation was that the outcome in practical terms would be much less far-reaching than the rhetoric.⁵⁹

With this strategy, participation would leave the British in the inner circle and at the same time not be accused of minimizing EC integration.

The draft for the SEA was formulated over the next few months and specific details were worked out in a series

of five meetings between the foreign ministers and heads of government from October 1985 and the December 1985 European Council Summit.⁶⁰ The agreement of the treaty marked the first time that the Treaties of the EC were amended and represented a significant step forward towards European cooperation.

With regard to the specific details found within the SEA, it becomes clear that while the document revealed a number of compromises it also failed to significantly advance the position of strong supporters of supranationality. For example, the European Parliament's Vice President, Altiero Spinelli, who was a well known proponent of supranationalism stated that "[t]he Single Act contains a few modest novelties ... and will almost certainly have proven its ineffectiveness within two years."⁶¹ Thus, the document was closer to the wishes of the minimalist group than those of the majority faction. All three leaders of the major EC states, Mitterrand, Kohl, and Thatcher could accept the provisions spelt out by the Act.

One major provision of the SEA was the decision to increase the use of majority voting in issues related to the internal market. While on the surface it appeared that Thatcher had made a major concession to the other members, the reasoning behind the decision showed that it was a practical move on her part. To the United Kingdom 1992 was

perceived as "an adventure in deregulation"⁶² which was highly favourable to the Thatcher government, since the removal of bureaucratic regulations and trade barriers was the main goal. Likewise, the concept of an EC industrial policy was successfully fought off by the Thatcher government which felt that it would be an impediment to all the deregulatory policies which the Prime Minister had sought to implement in Britain. However, free trade could still be hindered by the dissenting vote of one member state. When asked why Britain had agreed to this provision Thatcher replied that "we wished to have many of the directives under majority voting because things which we wanted were being stopped by others using a single vote."⁶³

Furthermore, the SEA did not eliminate unanimity voting in all circumstances. The Act, for instance, requires the consent of all countries with regard to such issues as taxes, the free movement of people, and provisions to the rights and interests of employed people.⁶⁴ Also, an escape clause was provided for the member states on the grounds "of major needs ... or relating to protection of the environment or the working environment."⁶⁵ To use this exemption, governments must inform the Commission which then verifies that these reasons "are not a means of arbitrary discrimination or a disguised restriction on trade between Member States."⁶⁶ Therefore, London maintained a veto over

issues which were considered sovereign issues (such as taxes) and a safeguard against barriers aimed at hindering free trade.

The Act also failed to repudiate the Luxembourg Compromise, thus leaving open the question of whether the use of the national veto over "vital interests" was still applicable. It should also be noted that the completion date of the end of 1992 was not legally binding, which eliminated the possibility that governments could be taken to the Court of Justice had they failed to implement the necessary legislation in time.⁶⁷ This was in the United Kingdom's interest since difficult and controversial issues would not be pushed through against the wishes of London. Britain, for one, was particularly worried about the free movement of people with a common passport given their continuing terrorist concerns.

At the same time, both France and Germany could agree to the above provisions. With Germany heavily dependent upon its export market to fuel its economy, Kohl had no qualms over the movement towards free trade. Mitterrand, having accepted the necessity of more liberalized trade, likewise appreciated the ability to maintain a significant voice in decisions over taxation. Thus, the "adventure in deregulation" was acceptable to all three countries and was the major reason why 1992 was agreed

upon.⁶⁸

The SEA also addressed the issue of institutional reform. As indicated earlier, the positions of the various countries on this question differed substantially. Both France and Germany advocated change in the structure of the decision-making process, including the possibility of a greater role for the Parliament. In comparison, Britain opposed the enhancement of the EC institutions powers. Given the tradition of Britain's parliamentary system, London was opposed to any major transfer of power to Strasbourg, and likewise often saw the machinery in Brussels as bureaucratic meddling.⁶⁹

In the final analysis, the institutions of the EC were not greatly strengthened under the SEA. Certainly, the central locus of power remained the national governments. While the document attempted to make the Council more efficient, it did not significantly transfer power away from the member states. It is still the Council which makes the final decisions and the national governments which execute them. Additionally, the European Council's "separateness is maintained and its powers left open,"⁷⁰ with the Act only committing it to meeting at a minimum of two times a year. Consequently, the dominant player which the European Council had developed into was not weakened, thus maintaining its crucial role within the decision-making process.

In accordance with the above conclusions, the decision-making power of the Parliament was not significantly strengthened. The SEA did expand the power of the Parliament by requiring the institution's approval of any enlargement of the EC and Association Agreements.⁷¹ Nevertheless, with regard to its role in the participation of approving and influencing the drafting of legislation, the parliament's voice was only moderately enhanced. Prior to the SEA, the Parliament formerly had been allowed to merely offer its opinion on the original draft submitted by the Commission. The SEA amended the process so as to allow the Parliament the right to a second reading, and also made it easier for it to approve, reject or amend certain types of Community legislation.⁷²

Nonetheless, the Council is not bound by the decisions made by the European Parliament. If it chooses to do so, the Council may simply decide not to act upon a proposal brought forward by the Parliament. Additionally, the Council can override any decision by a unanimous vote. While the Parliament can also use the weapon of inaction, in reality it must use this method sparingly since it would "lay Parliament open to the charge of sabotaging the Community's progress."⁷³ Therefore, for the most part, the Parliament's role as an advisor was maintained by the SEA.

The SEA also did not directly enhance the role of

the Commission. Yet, indirectly, the Commission's responsibilities may have been expanded. Given the increased use of majority voting in the Council, the Commission's expertise in specific areas may allow it to play a more important role in the decision-process. Likewise, with the Parliament having been granted a somewhat greater role in the legislative process, the Commission's role as a mediator between the Council and the Parliament enables it to magnify its position if there is a true wish to pass a particular piece of legislation.

Several aspects become apparent from the preceding discussion. In general, the minimalist position with regard to institutional reform prevailed. The European Parliament did not achieve a co-legislative role with the Council as had been hoped by some members of the majority group. It also becomes clear that Britain's negotiating strategy of playing a constructive but yet low keyed role in the IGC was successful. While the rhetoric was often idealistic in the maximalist faction, the reality of their proposals was far from such lofty positions. Without doubt, Mitterrand was pleased that the nation-states maintained their preeminent position within the system. Perhaps most surprising was Germany's stand on the European Parliament. During the negotiations, Bonn leaned towards the minimalist stance and not to those who wished for the Parliament's decision-

making powers to be significantly strengthened.⁷⁴ Indeed, the commitment toward this issue turned out to be weaker than their rhetoric.

As for the issue of monetary affairs, the SEA essentially left the prevailing situation as it was. The Act generally outlined the goals of economic and monetary union and the EMS, and instructed the member states to attempt to coordinate their policies. It also made it clear that "as further development in the field of economic and monetary policy necessitates institutional changes, the provisions of Article 236 shall be applicable."⁷⁵ This inclusion pleased the United Kingdom since Article 236 placed such decisions under unanimity, allowing London veto power over the future development of such institutions, even though it was not a participant in the ERM.⁷⁶

Both Britain and Germany favoured that monetary issues being left out of the talks.⁷⁷ France, meanwhile, had hoped to increase cooperation in this field. Having committed itself to the EMS, Mitterrand felt that greater policy coordination would increase Paris's room to manoeuvre. However, once again, the minimalist approach succeeded.

The Act also dealt with the issue of foreign policy cooperation in much the same way as it did with monetary affairs, that is, essentially codifying EPC. Article 30

spelt out the existing procedures of the organization and confirmed that the commitments "remained political rather than legal, if only in the sense that there was no way of enforcing them."⁷⁸ While there was broad agreement among the three major states that EPC should be strengthened, no overall consensus existed as to how far they should go. The United Kingdom, for instance, while wanting increased consultation was adamant that no measures be designed to forge a common foreign policy. On the other hand, Germany favoured incremental steps towards a gradual execution of a common foreign policy.⁷⁹ France, like Britain, tended to be wary of a common foreign policy which might limit its ability to act independently in this field. The eventual compromise called for EPC to remain outside the legal framework of the Community and firmly in the hands of the member states.

Summary

Overall, the advancement of European integration centered on the triangular association between Britain, France and Germany. Two important elements were required to fall into place before any advancement could be made; those being a change in French economic policy and the settlement of the British budget dispute. By 1984, both of these had been resolved. At the same time, international and domestic factors encouraged the three countries to reconsider the

need for greater EC unity. Thus, the SEA provided a measure for the Community to adjust to altered external and internal circumstances.^{eo}

It became clear that agreement among the three nations was critical in ending the budget wrangle. This was apparent through the "shuttle diplomacy" conducted by Mitterrand between the Three capitals. Through the deliberate strategy of the threat of creating a two-track Community Mitterrand, with the support of Kohl, hammered out an acceptable deal with the United Kingdom. The entire negotiating process concentrated on two factions'; a minimalist group headed by Britain and the majority faction led by France and Germany. Without doubt, each of the three countries' proposals, whether separate or joint, dominated the process. Agreement among these three states were critical in the negotiation procedure, with a final agreement attained most closely to that of the minority group. The most enthusiastic proponents of supranationalism, which tended to be Italy and the Benelux countries, saw the final results tilt away from their viewpoint.

There are a number of reasons why the other EC members states followed the lead of the three major EC nations. Most importantly, these three countries were the most dynamic powers in the Community, both in the economic

and diplomatic spheres. There is also a historical element which must be taken into account. From the beginning, Franco-German relations have been critical to the foundation to the Community, thus acquiring a kind of original legitimacy to the leadership position.⁶¹ While Britain certainly cannot aspire to such a position, it has likewise become a leader of countries which tend not to share the enthusiasm of the original EC members, such as Denmark. Another critical element is the fact that the major countries can buy off the less developed member states.⁶² By increasing the regional development fund for the poorer countries, it is possible to gather support from these countries also, which is precisely what occurred in the SEA negotiations. Thus, the three major countries can generally shape the Community through their agreements.

ENDNOTES-CHAPTER THREE

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CHAPTER FOUR

A NEW EUROPE?

While the Single European Act represented a significant step forward by the Community, international and domestic developments required the member states to continue their deliberations over European integration. The changes taking place in Eastern Europe raised the issue of German unification. Justified or not, fears of a dominant Germany were revealed by many political leaders, including Thatcher and Mitterrand, and the EC's appropriate response was, in turn, openly debated. In addition, the issue of the organization's relationship with the former Soviet bloc nations took on new importance. With the EC representing a model of stability and economic prosperity, there was an increased demand by East European countries for economic aid in the form of trade associations as well as possible membership in the Community. Finally, the European Free Trade Association (EFTA) became more interested in strengthening their ties with the EC. All of these factors set off a divisive debate within the EC over whether the organization should deepen or widen.

These events forced the Community to reevaluate its institutional structure and its functions with respect to a

changing global environment. Even after the EC committed itself to make important changes in December 1991, international and domestic politics continued to influence the actions of the EC. In particular, the prolonged economic recession and the consequent rise of nationalist sentiments played havoc with the integration process, thus forcing the member states to once again reconsider their various positions.

The Delors Report

From the beginning the Community has "been a process rather than a finished entity."¹ Certainly the SEA did not represent the ending of the European unity saga. Indeed, Francois Mitterrand indicated after the Luxembourg summit (which had launched 1992) that the agreement was a movement in the right direction but that France had a more ambitious perspective of what the Community could achieve.² To the French President and many other observers, the next logical step following the SEA was economic and monetary union (EMU).

As it will be recalled, the SEA sought to eliminate all obstacles which impede the movement of goods, services, capital, and labour in the internal market. However, for such an operation to work efficiently, monetary and price stability would be a key requirement.³ Recognizing the necessity of such policy coordination, the preamble of the

SEA made reference to the aspiration of EMU and that the member states should work towards greater cooperation in this area.

Mitterrand was particularly enthusiastic over the completion of EMU. Having committed his country to the EMS in 1983, the French had seen their inflation rate fall dramatically. In fact, through the linking of the franc to the deutschmark, France was able to lay claim to the lowest inflation rate in the industrial world by 1991.⁴ While this was a remarkable accomplishment, Paris felt that the prevailing system did not allow much room for maneuver with respect to other policy goals. Even though inflation was no longer a problem, France still experienced relatively high unemployment rates. Yet, the EMS was dominated by the inflation-cautious Bundesbank which blocked any growth stimulus policies if they threatened price stability. Indeed, the monetary repercussions of German unification strengthened the French view that the EMS required reconstruction. With the high cost of rebuilding the economic infrastructure of its Eastern region resulting in a growing government budget deficit and increased inflation, the Bundesbank responded by raising interest rates. As the recession deepened in the early 1990s and France's unemployment rates remained stubbornly high, German interest rate policies continued to be seen as a major hindrance to

French economic growth. Thus, the resolve of Mitterrand to push through economic and monetary union hardened throughout the late 1980s and early 1990s.

It is interesting to note that Paris also tried to accomplish this goal on a bilateral basis with Bonn. In November 1987, the two governments disclosed the idea of establishing a committee to coordinate their economic policies. However, much to the chagrin of the French, the Bundesbank stepped in and ensured that the committee had only a consultive status and no legal role in the economic policy-making process.⁵ Therefore, it became apparent to the French that EMU offered the best route for France to break the confines of German economic policy influence.

In June 1988, the European Council, under the urging of Mitterrand, called for a detailed study to consider economic and monetary union. This Committee, headed by Jacques Delors, released its findings in April 1989 laid out in the Report on Economic and Monetary Union in the European Community (also known as the Delors Report). The Report pointed out that EMU would:

imply complete freedom of movement for persons, goods, services and capital, as well as irrevocably fixed exchange rates between national currencies and finally, a single currency. This, in turn, would imply a common monetary policy and require a degree of compatibility of economic policies and consistency in a number of other policy areas, particularly in the fiscal field.⁶

To achieve EMU, the study went on to outline three necessary stages. The first stage called for a "greater convergence of economic performance through the strengthening of economic and monetary policy coordination within the existing institutional framework."⁷ The next step was to consist of the total liberalization of transactions and complete integration of the banking and other financial markets. The last stage would involve the change to irrevocably fixed exchange rates and, in time, the "national currencies would eventually be replaced by a single Community currency."⁸

The Report clearly pointed out that for EMU to be achieved, the Treaty of Rome required amending. It also spelled out that for the three stages to be implemented, the EC needed to establish a European Central Bank (ECB). Essentially the model bank proposed by the report strongly resembled the structure of the Bundesbank. The ECB was recommended to be arranged in a federal fashion, composed of a council consisting of the twelve central bank governors of the individual member states and a full time board of four nominated by the EC heads of government.⁹

No doubt, the issue touched the nerve of many politicians since the Report recommended the transfer of control of monetary policy from the national governments to a new independent central bank. Every country had attempted

to advance and preserve their domestic monetary policy role, or at least pretend to have control. Also, the countries had tended to establish a strong emotional tie to their own currencies, which the Report suggested should be sacrificed for a common EC currency. Therefore, it was hardly surprising to see a mixed reaction to this proposal among the three major EC countries.

On the one hand, France received the report favourably and called for the completion of EMU quickly.¹⁰ As discussed earlier, while France had achieved lower inflation rates, Paris also lost influence over its monetary policy to the Bundesbank. Reginald Dale pointed out that it was the French view that if economic and monetary decision were made collectively then France would have more influence than they did under the current system in which "they are forced to adapt to unilateral decisions taken in Bonn or Frankfurt."¹¹ Through EMU, France could strengthen its role in Community financial decision-making and also bind Germany closer to the organization.

On the other hand, the United Kingdom reacted to the concept of EMU in a different manner. The idea of transferring control of monetary policy to the EC level caused great anxiety among the political leadership and especially Prime Minister Thatcher. Thatcher had long established herself as a guardian of British sovereignty.

Much like de Gaulle, the British Prime Minister believed in the paramount role of the nation-state. Thatcher made this distinctly clear in a speech at Bruges in 1988, stating that "Europe will be stronger precisely because it has France as France, Spain as Spain, Britain as Britain, each with its own customs, traditions, and identity."¹² Clearly EMU represented a threat to the sovereignty of Britain as envisioned by the Prime Minister.

The issue of EMU and the ensuing Delors Report raised queries in Britain about the eventual goals of the proposition. Although Thatcher supported the finalization of the Common Market, she did not support the establishment of a ECB or a rigid timetable for the fixing of irrevocable exchange rates and a single currency.¹³ While London did not oppose the first stage of EMU (after all, this was a voluntary act by the member states and had no binding implications), the last two steps put forth by the study failed to get British support.

Germany fell somewhat in between the positions of the other two countries. In general, Bonn felt that the process should not be rushed. Germany feared that the institutional changes advocated by the Report might outpace economic convergence and adversely effect the stability of the single currency.¹⁴ Additionally, the Bundesbank never fully endorsed the concept of EMU. Given its central task

of controlling inflation, Germany's central bank feared any policy change that would effect its ability to combat inflation. The Bundesbank worried that the system proposed by the Delors report could potentially create an inflationary situation for Germany due to the possible lack of fiscal and monetary commitment towards anti-inflationary policies by some of the other member states. Furthermore, since the Bundesbank was already the dominant member of the EMS, there was little eagerness to sacrifice that position just for the sake of political unification.

However, there was also support among the German government to move towards EMU. As it has been pointed out:

The German chancellors, from Konrad Adenauer to Helmut Kohl, have pursued political unification as a way to integrate West Germany tightly into the Western alliance. The EMS itself stands in this tradition of political considerations.¹⁵

EMU also fit into this pattern, with the German government appearing "more than ever determined to link political union to economic and monetary union."¹⁶ In this atmosphere the Kohl government was in a susceptible position. Germany was willing to work with France towards EMU in return for EC political reform. Yet, Britain was in a position to court the Bundesbank to join London's camp and slow down the process. Hence, Germany was not fully united behind the concept as the German government felt somewhat assured by the call for price stability and autonomy for the ECB, and

was more favourably disposed towards EMU than the Bundesbank.¹⁷

The German Question

Perhaps the most difficult adjustment for France and the United Kingdom to adapt to was the reality of German unification. The division of Germany had long represented the frontline of the Cold War and kept Bonn from acting as a "normal" independent state. Additionally, the partition of the country kept West Germany smaller, both in territory and population, than it had been earlier. However, on 9 November 1989 the destruction of the Berlin Wall began and a new era of European history was ushered in.

It became clear that both France and Britain were hesitant over the prospect of a unified Germany and would have liked to, at minimum, slow the process. Nonetheless, it became impossible for any country to change the momentum of the process. Even Chancellor Kohl's response to the collapse of East Germany was initially slow and confused. In the beginning, Kohl had tried to slow the process but he too was unable to do so. With Hungary opening its border to Austria on 4 May 1989, thousands of East Germans proceeded to flood through this route to West Germany. Likewise, thousands of East German citizens left for Prague where they occupied West Germany's embassy and demanded entrance to the Federal Republic.¹⁸ In order to stem this flood, the East

German authorities opened its borders to Czechoslovakia and on 9 November 1989 the same was done in Berlin. However, the flow of refugees to West Germany continued unabated.

Yet, once Kohl recognized the situation, he reacted decisively and seized the moment. At the end of November 1989, Kohl issued a ten-point plan for German unification without consulting his principle allies of France, Britain or America, or his foreign minister Hans-Dietrich Genscher.¹⁹ In the end, Kohl's political skill was apparent in the final results of the March 1990 Volkskammer election. The Chancellor's active support for the Alliance of Germany (which consisted of the East German CDU, the DSU, and the Democratic Awakening) resulted in the Alliance winning 48.12% of the total vote and 192 of the 400 seats in the Volkskammer.²⁰ With the Alliance's platform championing quick German monetary union to be followed soon after by political amalgamation, the strong showing solidified the desire for German unification. Certainly Kohl's political ingenuity was shown as it was he and his political policies which "contributed decisively to the victory of the East German CDU, despite the fact that most East Germans began the election campaign with a great deal of distrust of the CDU-East, which had been a puppet of the SED for forty years."²¹ Additionally, Kohl pushed aside the Bundesbank in his decision to complete monetary and economic union on

generally his own terms.²²

Nevertheless, Kohl also acknowledged the historical actions of Germany and sought to sooth his neighbour's fears. The Chancellor consistently stated that he did not want a German Europe but rather a European Germany. Therefore, West Germany's response to the fears of Europe to a reunified Germany was to bind themselves to Western Europe and increase the integration process.²³ On Germany's part, Kohl realized that a unified Germany in an integrated Community would enhance Bonn's ability to push forward its policy objectives which would have otherwise raised the suspicion or ire of its neighbours.

While both France and Britain did not like the prospect of a unified Germany, Paris seemed particularly caught off-guard by the events taking place in East Europe. Commenting in LeMonde in 1979, Mitterrand stated that such an occurrence was not desirable and that such an event would upset the security of France and the preservation of peace.²⁴ The President's initial reaction to the turbulence in East Europe followed the logic set out in his above statement. In November 1989 Mitterrand went to Kiev and seemed to indicate that he would prefer the Soviets to halt the German unification process. The next month he visited East Berlin in a trip which "appeared to be intended to grant legitimacy and staying power to the East German

state."²⁵

The apprehension that was displayed by France reflected the state's, and indeed, Mitterrand's own past experiences with the German state. France had experienced three conflicts with Germany since the late nineteenth century, all of which France had lost or had to be rescued by its allies. Additionally, Mitterrand had first hand experience with the Nazi regime as a resistance fighter. The thought of German unification brought back old fears of German domination in the minds of some French politicians. Also, following the end of World War II, France became accustomed to a position as a senior partner to West Germany. Politically and diplomatically France was a leader in the Community. Given its status as a member of the United Nation's security council and its independent nuclear forces, its voice was heard clearly in Europe. With Germany divided, Paris was able to assume a dominant political position within the EC. Although West Germany became the leading economic member of the EC, France was able to offset this by its other strengths. Suddenly this status was in doubt with possible German unification in the works.

With the unification of Germany, Paris had to adjust to a new Germany and a likely change in the relationship between the two. A unified Germany represented the distinct probability of an even stronger economic giant in the

future. Furthermore, the fact that Germany was no longer physically divided removed the stigma that the country was not "normal," thus removing an advantage that gave Paris the ability or appearance of acting as an elder brother to Bonn. Following from this, a unified Germany "resumes its historical role as a central European power, whose interest in the East are every bit as important as those in the West."²⁶ This concerned Paris as it feared that Bonn could possibly drift from the West and establish a dominant role in East Europe.

All these factors worried Mitterrand, who became concerned that the partnership between France and Germany would tilt towards the latter. Given this, it became a distinct possibility that Europe would come under greater influence by a stronger and united Germany. Under such circumstances France's ambitions to leading a united European bloc to challenge America (which remained the sole superpower) became increasingly doubtful. France's response to this new situation was to increase the pace of European integration. The reason for this was twofold: first Mitterrand wanted to ensure that France could put a stamp on the organization and shape the organization for its own purposes and secondly, the integration design was a means to tie Germany quickly to the EC much as the "strategy of a groggy boxer."²⁷

While the United Kingdom failed to share France's anxiety over German unification to the same degree, there can be little question that many British politicians viewed the Germans with mistrust. Perhaps the most public and controversial display of British distrust came from Nicholas Ridley, the Secretary of State for Industry. In an interview with The Spectator, he conveyed his belief that the EMU was a "German racket designed to take over the whole of Europe."²⁸ Although Thatcher was not quite as conspicuous, there was little doubt that she, like Mitterrand, harboured doubts towards German unification. In June 1990, the Prime Minister stated that she was concerned that a unified Germany would be "dominant both in numbers and economic and political power."²⁹ However, she did not instinctively turn to European integration as the solution. Instead, Thatcher turned to the well loved British doctrine of balancing power within Europe. London feared that in a tightly integrated EC would only be dominated by a much larger Germany. Instead it wished to balance Germany in a larger and looser EC which balanced German power by dispersing power throughout Europe by expanding the size of the organization.

While France and Britain showed anxiety over German unification, the process forged ahead persistently. Furthermore, as two of the four powers with some influence

over the process (especially with respect to the security implications of German unification), both countries were formally obligated to the principle of the merger of the two Germanies. Therefore, although they lacked exuberance over the prospect, France and Britain were not in a position to try and actively oppose German unification.³⁰ Furthermore, as the two-plus-four talks continued,³¹ most of the outstanding issues were decided between the East and West German delegations. The Soviet Union, the country perhaps most able to veto the process, agreed to the conditions that allowed a unified Germany to become a member of NATO.

In July 1990, the two German states formally carried out monetary union and on 3 October 1990 Germany became a single political entity. It is of interest to note that East Germany essentially acceded to the Federal Republic under Article 23 of the Basic Law. As such, East Germany generally adopted every feature of West Germany's political system.³² Furthermore, the Treaties of Rome had taken account of the special position the Federal Republic had originally found itself in. When the West German government signed the documents, it made clear that its definition of citizenship as all "Germans defined by the Basic Law for the Federal Republic of Germany are citizens of the Federal Republic of Germany."³³ Thus, by the way East Germany entered into federation with the Federal Republic, the

problems which went along with new membership applicants were avoided.

While East Germany was successfully merged into the organization, German unification brought the subject of EC integration back to the forefront. As in the past, Britain did not see increased Community unity as the appropriate response to ensure Germany's allegiance to the West. However, both France and Germany saw increased EC cooperation as a way of advancing solutions to their concerns. France saw closer Community ties as a possible method to bind Germany to the West while the Federal Republic recognized that closer EC unity would ease their neighbour's fears and allow Bonn to operate in a more accepting political atmosphere. Therefore, the issue of German unification reinforced the established pattern in which Britain was opposed to further EC integration while France and Germany both favoured greater unity.

Community Enlargement and Security Issues

At the same time that the debate over EMU and German unification was taking place, changes in the international sphere began to force the EC to deal with a new series of issues. The crumbling of Communist rule in East Europe made the EC reconsider what was now meant by "Europe". Helen Wallace states that this process involves,

both a reconceptualization and an adjustment of

assumptions about institutions, interests and policies both in and beyond the EC. This in turn requires some rethinking of the relationships between political, economic and security factors in the integration process.³⁴

As before, international events forced the EC member states to reconsider their integration policies.

These changes in Europe unleashed an unanticipated debate over Community enlargement. Members of the EFTA increasingly began to show interest in joining the Community. As the Cold War wound down it became obvious that the EC would continue to play a major role in Europe and many countries wished to ensure that they were not kept out of the potentially lucrative market. Additionally, a new series of countries from Eastern Europe looked to the EC for leadership. With the demise of Soviet power, these countries sought aid, trade agreements, and technical assistance to help modernize their economies and promote stability. Beyond these forms of help, many states were also eager to join the organization themselves. With the one of the main principles of the Community being that any democratic European state can join the organization, the EC faced a flood of applications. Therefore, this fact triggered the debate over whether the Community should first widen or deepen.

Mitterrand immediately sought to deepen the Community and limit new membership until this process could

be completed. The French realized that if more members were added it would become more difficult for Paris to shape the organization towards its own aims. Likewise, France saw an opportunity to maintain its influence in the international sphere as the decline in Soviet power left a power void in Europe. If France could achieve their dream of seizing the leadership of the EC and harnessing its political and economic weight for its own ends, the Community could challenge the dominant American world position. Again, this goal was easier attained with a smaller organization and it would be less likely that the lowest common denominator would dominate negotiations. Moreover, France wanted to deepen the EC and bind Germany fully to its structure, thus, preventing Bonn from drifting towards the East or reestablishing an independent foreign policy from Western influence.

Britain took the opposite viewpoint from France with respect to enlargement. As previously described, the United Kingdom has been hesitant over increased European integration. London recognized that expansion presented the possibility of diluting the federal structure of the Community. Therefore, Britain saw enlargement mainly as a method to slow the transfer of sovereignty from the national level to the supranational institution of the Commission.

Germany stood in the middle of the two other

countries. Kohl recognized that the EC eased the opposition to German unification. By insisting that Germany become "European" Kohl saw the opportunity to advance German policy under the EC banner and help ease the fears of European states. Yet, Germany also proposed to expand the membership of the Community. In the past, Germany had always played a major role in Eastern Europe and continued to hold a perceived obligation to the region.³⁵ Furthermore, Bonn's security rested upon the stability of its Eastern neighbours far more than either France or Britain. Hence, Germany believed that the EC had a vital role in helping maintain a peaceful environment, including opening the door of the EC to new countries.

Another element which was pushed to the forefront by the changing international order involved foreign and defence policy. With the ending of hostilities between the two Cold War opponents, a new series of problems confronted Western Europe. Suddenly, instead of facing a military threat from the Soviet Union, the Community had to consider the problems of nationalism, fear of civil war erupting in neighbouring countries which threatened to bring other states into the conflict, and the alarm of a massive immigration wave from the East.

Closely connected to this problem was the future role of NATO. For over forty years, NATO not only protected

the West from the Soviet threat but also provided Western Europe with a stabilizing American presence. With NATO no longer facing the nemesis of the Soviet Union, the structure and very being of one of the two pillars of Western Europe was brought into doubt. Simply put, NATO's mission to defend Western Europe from the Communist bloc was completed and no enemy was left to confront, leaving the organization to redefine its structure and role. Additionally, doubts began to be expressed whether the United States would continue to maintain a presence in Europe owing to its own domestic economic difficulties. Hence, Europe had to seriously consider defending itself for the first time in over forty years.

European Integration Reconsidered

Within this changing environment, the Community was compelled to reconsider its structure and role. In particular, the three leading EC member states were forced to review their policies towards European integration. Once again, the triangular association dominated the process.

As outlined earlier, EMU was an issue on the table prior to the collapse of the Berlin Wall and the Soviet Union. However, in a quick fashion, European political union (EPU) also joined the debate. In April 1990, Mitterrand and Kohl jointly called for both economic and political union to be accomplished by 1993. The statement

called for preparatory work to begin on an IGC on political union, including making EC institutions more efficient, defining and putting into effect a common foreign and defence policy.³⁶

As in the past, it was the Franco-German alliance which took the initiative on EC integration. It is of interest to note that in late 1989, relations between the two countries became somewhat strained. Mitterrand was rather upset that Kohl's ten-point plan had been forwarded without consultation. The French President saw this as a worrisome trend which only hardened his opinion that Germany had to be bound to the EC. Kohl saw the joint declaration as a opportunity to head off the fears of France and other European states. Not surprisingly, Prime Minister Thatcher expressed opposition to the concept.

While the joint statement proposed the completion of both EMU and EPU, the two objectives were not on equal footing. To many, EMU was the next logical step in the economic integration process. It had been noted by many scholars that no internal market could live up to its full potential with eleven independent market monetary policies and currencies. It was this concern which helped prompt the Delors Report, thus providing a solid framework for debating the issue. Additionally, the EMS already encouraged substantial currency coordination. EPU, on the other hand,

had no such advantage. Although Mitterrand and Kohl called for political union and briefly outlined several aims, much of the concept was left vague. Indeed, this was a severe criticism of Thatcher's, noting that the idea should be more clearly spelt out since it meant "very different things to different countries."³⁷ Certainly, as time wore on, it became apparent that EPU also meant different things to Mitterrand and Kohl.

The June 1990 European Council formally approved the two IGC meetings required to implement the proposals to proceed. In December of that year, the decision was made (over the objections of Prime Minister Thatcher) to begin the process of establishing the two new treaties needed to implement EMU and EPU. Given the above situation, it is not surprising that negotiations over EMU was a smoother process than its counterpart.

Economic and Monetary Union

With respect to EMU, it was the French who pushed particularly hard for its completion. Mitterrand felt that France had nothing to lose over the creation of a ECB operated by a Community board (dubbed "Eurofed"). After all, the EMS was already dominated by the Bundesbank which in effect functioned as a Eurofed within the existing system. Through the establishment of an actual EC banking system, Paris stood to have some influence in policy

decisions, "whereas it has none over the Bundesbank."^{ee}

Hence, Mitterrand was eager to complete EMU, thinking that France could expand its power in economic affairs through the multilateral system.

However, since Germany was the leading economic power in the Community, German participation in EMU was the crucial component to its success. In such a situation the conditions imposed by Bonn were paramount in the negotiating process. Yet, disagreements over the exact form of EMU were voiced in the capital, particularly between Kohl and the Bundesbank. It must be recalled that the Bundesbank has seen its primary task as fighting inflation and enforcing price stability. This goal has far outweighed any other economic objective within Germany and is maintained zealously. Hence, any possible shift in this policy created anxiety in Germany's central bank. Likewise, the possibility of sacrificing its stable currency, the very symbol of German success, also brought forth tensions. Then Bundesbank's President, Karl Otto Pohl, urged constraint on any deadlines agreed upon and that stringent conditions to be set by Kohl. While the Chancellor originally seemed to ignore this advice and indicated that he was favourable to much of the proposals put forth by the other countries pushing for EMU completion (especially France), this tension in Bonn would resurface.

As expected, Thatcher's reaction to the idea was negative. She isolated herself from the main group and later pledged that the plan for a single currency would never be put before the British Parliament.³⁹ However, unlike the past, Britain did become an active participant in the process. Yet, this decision was not achieved without considerable debate within Thatcher's cabinet. The cabinet divide over whether Britain should join the ERM, with those who maintained that Britain should preserve sovereignty in the economic and monetary spheres (including Thatcher) facing off against those who felt that Britain's future realistically lay within participation in the system (including then Chancellor of the Exchequer, John Major). In October 1990 the United Kingdom decided to enter the ERM, "partly because its objectives for lowering domestic inflation were thereby served and partly because it wanted to be fully involved in the negotiations on EMU."⁴⁰ Moreover, London joined the debate instead of just voicing its disapproval when it proposed an alternative to Delors blueprint, the "hard ecu."

Another factor which influenced the situation in the negotiating process was the change in leadership in the United Kingdom from Margaret Thatcher to John Major. Under Thatcher, Britain had generally taken a conflictual view with its partners over EC unity. While Thatcher's

relationship with Kohl was never particularly close, Anglo-German relations had seemed to have grown even cooler following the inevitability of German unification.

Table I. Positions of the three countries on EMU

	BRITAIN	FRANCE	GERMANY
Favoured single EC currency	NO	YES	YES
Favoured formation of ECB	NO	YES	YES

The emergence of John Major as Britain's new Prime Minister offered a refreshing change from the confrontational relationships of the past. Immediately, Major made it clear that he wished Britain to be in the center of Europe and play an active role in the EC's future. Major made this point clear by cultivating new relations with his main EC partners. Yet, it must be recognized that Britain's important goals did not shift overnight from a leadership change. As Geoffrey Smith observed, the "sharp difference of Major's style and tactics have obscured the similarity in the substance of the Major and Thatcher European policies."⁴¹ Major, like Thatcher, did not want a highly centralized EC. Nonetheless, the new prime minister realized that Europe was critical to Britain's future and sitting on the sidelines during integration negotiations was

not fruitful. Therefore, Major set out to remold the EC in an unobtrusive manner in which Britain could be more comfortable.⁴²

The change in British leadership had an immediate impact on EMU talks. While Major did not change the British position of opposing a single currency or its opposition to stage two of the Delors Report, he did try to cultivate a closer relationship with Chancellor Kohl. This policy began to show dividends quickly, as in late December 1990 the two countries tacitly concurred to back away from any pledge to a firm timetable towards EMU. This was a blow to France which was continuing to call for precise goals and dates in an effort to ensure that Bonn would not drift away from the project in light of the expense and difficulty which it was facing in absorbing the former region of East Germany into its system. David Marsh differentiated Britain's approach,

The British government, by contrast, is now telling Bonn that it requires no further reassurance about Germany's place in Europe. In particular, the UK is making clear to Bonn there is no political need to hurry towards Emu before the economic conditions are right.⁴³

With both the Bundesbank and the German Finance Ministry fearing a rush to EMU at the expense of the proper convergence conditions, Kohl seemed to accept the logic of a slower approach.

At the same time, Britain and Germany still had many

basic differences over EMU, including Bonn's willingness to go along with the basic outline of the Delors Report given the right conditions. On the other hand, Britain, while opposing much of the fundamental logic behind EMU, advocated a general opt-out clause in the treaty. This demand was met with disapproval by those who wanted EMU, fearing that countries other than the United Kingdom might take advantage of the clause, including Germany.⁴⁴ Therefore, it was not difficult to understand why France opposed the inclusion of such a clause.

Within this context, talks on EMU marched forward to the December 1991 European Council which was to be held at Maastricht to finalize the negotiations. As in the past, the three countries kept in steady contact with each other in an attempt to work out their differences. Also, similar to past negotiation, France and Germany reached agreement on most issues prior to the summit on a bilateral basis.⁴⁵ Major became isolated over his call for a general opt-out clause on EMU. The next position the British Prime Minister took was for a specific opt-out clause for itself. However, several countries, including France, felt that the granting of such a clause would be a "gift" to the United Kingdom and should not be the basis of a bargain.⁴⁶ Furthermore, there was a concern that others might want such a clause and it might also influence public opinion of the

treaty in other member states.

The final agreement over EMU revealed several key points favouring the objectives espoused by the French. These included a commitment by Germany to a single currency by no later than 1 January 1999. Additionally, much of the structure of EMU followed the guidelines proposed by the Delors Report, with the establishment of a European System of Central Banks (ESCB) similar to that described earlier. This gave France at least an opportunity to advance policies dealing with the problems which most concerned Paris. At the same time, it is also clear that Germany influenced the shape of the system. Chiefly, the organization was committed to price stability and given a great deal of independence from political influence. Furthermore, stringent conditions were placed upon the qualifications necessary for member states to participate in the single currency.

Britain, on the other hand, won a specific opt-out clause over EMU with the backing of Chancellor Kohl.⁴⁷ Keeping in mind that the United Kingdom sought the status quo on this issue, it still got what it fundamentally wanted without having to veto the deal. As one British official noted, "we saw no reason to object, as long as we have suitable arrangements for ourselves."⁴⁸ While London's policy disagreements with the overall goals of the plan did

not allow for Major's fullhearted approval, London was not committed to opt-out of eventual monetary union, thus leaving its options open.

Overall, the concluding outcome of the EMU negotiations exhibited only limited evidence of a true triangular relationship. Obviously, Britain opposed any binding Community movement towards a single currency and a European Central Bank. Yet, in the end it was agreed that these reforms would take place (albeit Britain did obtain an opt-out clause for themselves). Several factors account for this result. For one, Britain was not strong enough in economic terms to overtly influence the negotiations. While the United Kingdom was a major economic component of the EC, its economic strength in relation to France and Germany was significantly weaker. Thus, the ability for London to seriously dilute the final outcome was hindered by its lack of economic influence. While Britain could have vetoed the entire agreement, the political consequences of such an action would have been severe. Additionally, the nature of the issue is roughly parallel to early EMS negotiations. One has to wonder whether Britain's political leaders believe that a single currency will be a likely event with the member states willing to sacrifice their national currencies. In this light, blocking such an initiative would not be worth the cost of the political backlash had

London chosen to veto the proposal. Furthermore, the United Kingdom retained the option of joining the process if it felt that it was beneficial to do so.

Therefore, with regard to EMU, the process was generally dominated by the French and German negotiators. As previously described, the French strongly pushed for a positive result in this area. The Bundesbank's decision to raise interest rates in 1991 to deal with Germany's growing budget deficit and inflation rates only hardened the French determination to achieve monetary reform. Likewise, while Germany may have differed with some of the specifics of the proposal, there was a general agreement that increased monetary coordination was a desirable goal. Therefore, the combined economic strength of these two countries provided the accentuation for the negotiation process. However, it must be noted that in this case, the German position was the key to the entire agreement. While France actively prodded and encouraged the Federal Republic, due to its leading economic position in the EC, Bonn's stringent conditions for a single currency and the economic policy priorities for the ECB were accepted. Simply put, Germany was the most important player in the negotiation process and the success of the program depends upon its participation in the system.

European Political Union

While negotiations over EMU proceeded in a fairly uniform fashion, the same could not be said about those dealing with EPU. The issue of political union was not clearly defined and remained murky throughout the process. Political union covered many complex and divisive topics including foreign and defence policy, the powers assigned to the institutions of the EC, enlargement, and immigration policies. All of these issues touch upon the sovereignty of the nation-state.

Additionally, unlike EMU, no one had a specific target to attain. France, for instance, while having a clear vision of what it wanted to achieve with EMU, had no clear conception of where it wanted to go with respect to political union.⁴⁹ The only thing Paris seemed certain about was that it wanted to tie Germany to the EC. Also, in contrast to EMU, political union could not proceed without agreement from all three members of the triangular association since the issue of foreign and defence policy was too vital for any of the three states to settle for an opt-out clause. Furthermore, Britain's position within the realm of defense and foreign affairs was too central for the other countries to ignore. It quickly became apparent that the triangular association was to dominate the process and the other member states would "simply be allowed to say yes

and amen to political moves."⁵⁰

The positions of the three countries varied from issue to issue and consensus proved to be difficult to attain on any one topic. For example, both France and Britain felt that Europe had to reconsider Europe's defensive posture, although they both had different views as to how it should do so. It is also worth noting that Germany tried to link their agreement to EMU for significant advances in EPU. Essentially Kohl sought to tradeoff EMU to Mitterrand for EPU.⁵¹ However, as the final results were to show, under the triangular model, the pressure from three sets of relationships would not allow this to happen.

Table II. Positions of the three countries on EPU

	BRITAIN	FRANCE	GERMANY
Favoured EC enlargement	YES	NO	YES
Favoured subsidiarity	YES	NO	YES
Favoured expanded powers for Parliament	NO	NO	YES
Favoured majority voting on some foreign policy issues	NO	YES	YES
Favoured joining the EC and WEU	NO	YES	NO

Similar to the negotiation of the SEA, the issue of what additional powers to assign the EC's institutions proved to be arduous. Germany pressed for greater power to be allocated to the institutions of the EC, and in particular to the European Parliament. Kohl demanded that the democratic deficit which prevailed in the EC be corrected. He accurately pointed out that the Commission and the Council was not adequately responsible to the universally elected Parliament. To remedy this situation Kohl proposed that the Parliament should be given a significant voice in approving EC laws. Germany seemed the least adverse to expanding the powers of the institutions among the three countries. This seemed to partly result from its highly federal structure and a lack of a prominent historic parliament of its own. It is also worth noting that due to its increased size in population resulting from unification Germany was expected to add representatives in the Parliament, thus expanding its influence in the institution.

On the other hand, France and Britain failed to share their partner's enthusiasm for expanding the powers of the Parliament. Given their long and proud history of democracy this position was not remarkable. Both Thatcher and Major strongly injected that Britain must maintain its parliamentary sovereignty and would not sacrifice it to a

supranational institution. Likewise, Mitterrand was also hostile to the German view. Indeed, Mitterrand not only opposed adding power to the Parliament but also to the Commission. He felt that the elected heads of government were the democratic representatives and were fully capable of making decisions in such a manner. This viewpoint was clearly expressed when he told his fellow EC heads of government that authentic democracy was in "this room" and that the Parliament had no monopoly on democracy.⁵²

Yet, France and Britain differed on the concept of subsidiarity; meaning that issues should be dealt with if at all possible at the level of government closest to the people. This concept infers a "bottom-up approach always empowering the lowest capable level with the responsibility of performing a task."⁵³ Therefore, this theory implies that governments closest to the people, such as local and national governments, should carry out policies. Following this logic, the supranational institutions of the EC, far removed from the average citizen, should only play an active role when it can accomplish a function more efficiently than the other levels of government. Major saw this as a decentralizing concept and strongly supported it. France, being a strongly centralized state, saw this as a diluting agent to its own goals. As long as the decisions were made by the member states in the Council, France preferred action

to be carried out at the Community level and thus act as a bulwark to the outside world. Kohl, on the other hand, was more favourable towards the concept than his French counterpart. With Germany's federal structure, the Chancellor did not fear the decentralizing measure as a severe threat to the operation of the Community.

Foreign policy was another topic in which consensus was not easily attainable. All three countries acknowledged that the EC should move towards coordinating their foreign policies. With the decline of Soviet power in the East, the EC was expected to play a greater role in world affairs and assert itself to promote stability. Moreover, if the EC wanted to become a significant player in the international sphere a coordinated foreign policy was essential. This was made clear to the EC when they failed to act together coherently in the Gulf War and Yugoslavia.

Germany favoured advancing foreign policy harmonization through the extension of majority voting in some aspects of foreign policy among the member states. Through this method, Bonn hoped that it could advance its policy goals and also improve the efficiency of producing common foreign policy positions. Indeed the German position was described as representing a "quantum leap forward"⁵⁴ by taking the position that "everything should be common policy, and then define exceptions."⁵⁵ In contrast, the

British proposed a more gradualist approach with continued emphasis on consensus building. The United Kingdom was also adamant that it (nor any other EC member) should not lose its veto over the decision-making process.

France took a more confusing position on the issue. While Paris has sought to lead EC foreign policy (in fact Paris often acts as if it is speaking for all of Europe), it has also been reluctant to delegate any decision-making power in this arena. For example, while Mitterrand was calling for a common EC position with respect to Iraq's invasion of Kuwait, he was not above initiating his own independent solutions. Therefore, it was not surprising that Mitterrand called for a proposal which combined aspects of both of the above plans. Paris advanced the idea that the European Council should decide by unanimous consent which issues to treat as common and then some of these decisions would be made by majority vote.⁵⁶ Clearly France, like Britain, was concerned over the introduction of standard Community voting in this area.⁵⁷

Closely connected to the issue of foreign policy was that of a common security policy. The end of the Cold War brought forth the issue of whether the EC should form a functioning defensive capacity. France, for instance, was faced with a new environment which forced it to reevaluate its defence policies. With the end of East-West hostilities

Paris could no longer count on the continuing presence of NATO. While France had left the command structure of NATO in the 1960s and struck an independent military posture, it could always count on NATO to perform two functions: provide a nuclear and military umbrella for France and also bind the Federal Republic of Germany to the West. With the end of the Cold War, Mitterrand was forced to adapt to a new set of circumstances.

Although France would like to see NATO remain as a stabilizing influence in Europe, Mitterrand felt that in the long run, America was likely to withdraw from the continent. Yet, this also provided an opportunity for France to fill the void left if the United States did chose to decrease their presence in Europe. Mitterrand realized that as a second-rank power, France would need the cooperation of their European partners (especially Germany and Britain) if Paris was to play a significant role in the world.⁶⁸ The plan advanced by France called for the Community to develop links with the West European Union (WEU) which would eventually evolve into the defensive arm of the EC under the control of the European Council. Mitterrand envisioned the WEU as essentially replacing NATO and carrying out its present day duties.

Britain, while favouring closer links between the EC and the WEU, nonetheless recognized the French plan as a way

to eliminate NATO as the predominant defense organization in Europe. London remained determined not to allow any wedge to be driven into its transatlantic relationship.⁵⁹ London preferred to see the WEU take on duties outside those performed by NATO. Bonn took a position in the middle of the two polar views. Although Germany wanted the EC to play a larger role in defence and favoured the concept of the WEU falling under the domain of the European Council, it also wanted to maintain NATO's role in Western Europe.

With regard to the issues of enlargement⁶⁰ and immigration, little headway was made. Immigration was a pressing problem, in particular for Germany. With its economic prosperity, relatively open political asylum policies and its border straddling East Europe, Germany was the prime objective for economic and political refugees from the struggling region of Eastern Europe. Bonn hoped for some assistance in this arena, however, much to its disappointment, the other countries made little movement to help ease Bonn's plight.

The December 1991 Maastricht summit brought about an agreement which was far from being labelled as maximalist. The resulting Treaty on European Union, at least in the domain of EPU, failed to make significant steps forward in most areas. Like treaties before it, the Maastricht Treaty maintained the locus of power within the member states.

In general, the European Parliament failed to increase its role prominently in the decision-making process. Prior to the summit, it became clear that Chancellor Kohl was isolated over the degree of power that he wanted to assign to the Parliament.⁶¹ The final compromise allowed the Parliament the right to negotiate amendments directly with ministers over bills and reject them if the bills do not contain them. However, it has been noted that the Council can "load the procedure" by challenging the institution to veto the bill. For the most part, the Parliament would prefer a partial measure to none at all and would not likely challenge the final bill.⁶² However, with respect to the concept of subsidiarity the strong backing of Kohl and Major ensured its acceptance and was therefore written into the Treaty.

In the foreign and defence policy domains, the final result was largely satisfying to the British. Major made deliberate efforts to divert German attention from French proposals and sought to ensure NATO's influence in Europe.⁶³ While the Treaty did declare that a common foreign and defence policy was ultimately hoped for, the language was vague and ambiguous, "which promises much, but immediately delivers little."⁶⁴ It was decided that certain foreign policy problems could be handled by majority voting, but the subject area first required unanimous consent, thus

retaining the veto for both France and Britain which they sought. The defense issue failed to displace NATO and put the WEU under the power of the European Council. While the Community could request the help of the WEU, it could not instruct it.⁶⁵ Therefore, compromise between the three states was evident as the maximalist positions failed to materialize.

The issues of enlargement and immigration was chiefly ignored in Maastricht. The matter of enlargement was essentially pushed away and left for the future. Prior to the summit, the EC and the EFTA reached an agreement which essentially expanded the two organizations into a free trade region (the European Economic Area or the EEA) but denied the countries of the EFTA access to the decision-making process. This was an attempt to stall these countries' interest in joining the Community, although, this plan soon backfired and only made several of the EFTA members more determined to apply to become members. Hence, the issue of enlargement remained after the Maastricht Treaty was reached. Immigration issues were kept outside the formal structure of the EC, but an agreement was achieved to coordinate "their policies more closely and in particular, to establish a common visa policy by 1996."⁶⁶ Overall, little progress was significantly achieved in these fields as disagreements among the three forced a compromise

of the lowest common denominator.

It is of interest to note that during the negotiations, past bargaining patterns redeveloped. Similar to that described earlier, the United Kingdom retained their cautious approach towards EC integration while France and Germany presented a more enthusiastic view regarding Community cooperation. The two countries joined forces to advance the process, as demonstrated by their joint declaration calling for EMU and EPU in April 1990. Comparable to the SEA negotiations, Paris and Bonn again brought forth the possibility of a two-speed EC. Therefore, Britain was faced with the position of trying to challenge this coalition on various issues.

In contrast to EMU, the negotiations with respect to political union clearly demonstrated the importance of the triangular association. In general, the policy outcomes in the fields comprising EPU revealed compromises among the three countries. Unlike the situation regarding monetary union, each of the three member states had adequate influence in the process to distinctly shape the final agreement. While France and Germany jointly called for EPU there was no solid agreement between the two over many issues. Therefore, the three countries formed different alliances among themselves depending upon the specific issue at hand. As a result, the end product was similar to the

negotiations of the SEA, that is some movement towards increased cooperation but by no means a maximalist solution.

This can be seen by considering some of the forementioned issues. With respect to additional power assigned to the Parliament, the institution did get some increased responsibilities. However, these did not reflect the position advocated by Germany, nor that held by Britain. Instead, the result was a more moderate role for the Parliament in the legislative process. In this case, the French lent some support to Germany's position (partly in response to Kohl's acceptance of EMU) and compromised somewhat on their hardline position. Yet, with Britain's opposition to increasing Parliament's role, significant power failed to materialize for the institution. However, with respect to the issue of subsidiarity the alliance between Germany and Britain prevailed over France's wishes. This situation was also evident in the issues of foreign and security policies. The interests of maintaining a substantial and independent role for the nation-state prevailed, as both Britain and France sought to limit any binding EC initiatives in this arena. Likewise, a Anglo-German alliance ensured that the WEU would not replace the role of NATO. Thus, the process reflected the three concerns defined by the model, with little maximalist headway made.

However, at the same time it must be recognized that other actors were present in the negotiating process. Doubtlessly, the role of the Commission, and specifically that of its Commissioner, Jacques Delors, requires attention. Delors has established himself as a major proponent for EC integration. This was clearly evident as Delors actively pushed for the member states to undertake majority voting in the foreign policy arena to "end the Community's impotence."⁶⁷ Likewise, several other member states (such as Italy and the Netherlands) have played a prominent role in European integration. However, as in the SEA process, these actors essentially played a supporting role. While Italy helped pave the way for the acceptance to hold the two IGCs and the Netherlands offered several compromise positions on various issues, these countries failed to have a substantial impact on the final outcome. The same conclusion may also be drawn on Jacques Delors' role in the integration process. Although Delors was an active lobbyist on the behalf of the supranational interests of the Community, he was unable to place himself as a main negotiator equal to that of the three major EC member states. Indeed, Delors may have played his most important role as a mediator in the negotiation process. While these actors may help mediate and try to apply pressure on the major actors to maximize outcomes they fail to decisively

influence the final result. The vital discussions continued to center around the three major EC member states (as even EMU negotiations showed) and agreement among them remained paramount.

The Maastricht summit ended with some successes and some failures for the three countries. The process was again dominated by the triangular model. France achieved most of its goals with respect to EMU while Germany got the tough standards which it had sought. With respect to political union little startling advancement was made as it became "necessary to come to terms with the reservations the United Kingdom has had from the very start"⁶⁰ which forced the other countries to make the appropriate allowances.

Post-Maastricht Conflict

Almost immediately following the Maastricht summit second thoughts began to appear in several of the member states. For instance, in Germany, concern was expressed about the loss of their currency and the Lander expressed their concern over the possible loss of their political power. This was quickly followed by the inability of the EC (and particularly the three main countries) to formulate a cohesive plan to deal with the civil unrest which was strangling Yugoslavia. In June 1992 the Danish public refused to accept the Maastricht Treaty by a narrow margin, thus throwing the entire Treaty in doubt since all twelve

countries are required to ratify the agreement before it could go into effect. These factors combined with domestic economic and political turbulence in Europe slowed the ratification process considerably.

In this light it was left to the three main EC member states to help push through the ratification process of the Treaty. However, a number of events caused all three countries to hesitate over its implementation. In the United Kingdom, doubts about the EC heightened when London was forced to withdraw from the ERM. Combined with a slow economy, opposition began to surface throughout the Conservative Party, forcing Major to delay the ratification of the Treaty.

The situation in France and Germany was not much brighter than that in Britain. Mitterrand decided to put the Treaty to a public referendum and staked his political career on its outcome. In a country where the issue of European integration had never previously divided the country, Mitterrand ran into stiff opposition. Mitterrand failed to recognize (as did most French politicians) the public discontent over the issue and politics in general.⁶⁹ Although the referendum accepted the Treaty, the barely 50% approval rating was not a ringing endorsement for the agreement. In Germany, the public not only voiced disapproval over the loss of their currency, but the

Bundesrat also challenged the legality of the Treaty. Although a compromise was reached, it became clear that EMU could become blocked in the future by Germany.⁷⁰

Additionally, the issue of enlargement continued to plague the EC. The EEA, which had been designed to head off the expected number of applications from the EFTA for Community membership failed. By the end of 1992, five of the members of the EFTA (Austria, Finland, Norway, Sweden, and Switzerland)⁷¹ had officially applied for EC status. Furthermore, other countries continued to express their desire to join the organization, including Cyprus and Malta. Thus, the issue of widening was once again thrust upon the Community.

Yet, the three leaders are attempting to push the Treaty through and the triangular model has begun to reassert itself. All three heads of government stated after the Denmark referendum that they would push ahead and help encourage the Danes to reenter the fold. Different reasons are driving them to advance the Treaty through to ratification. Mitterrand has fought hard for EMU and is determined to achieve this goal before his political career ends. As well, with the Bundesbank continuing to use high-interest rate policies in order to deal with Germany's economic problems in 1992, it became clear to Mitterrand that the best way possible to forward other economic growth

strategies was through the completion of EMU. Major also believes that the United Kingdom has as much to lose as anyone if the Treaty fails.⁷² Like it or not, Britain's future is in Europe and the Prime Minister felt that Maastricht provided an intergovernmental structure which Britain could comfortably operate in. Even though Major faces considerable resistance within the Conservative Party, he has pledged to ratify the Treaty, albeit at a later date than his major partners would like. As for Chancellor Kohl, he also fears that this could be the best possible deal attainable and it has also become a personal challenge for him to see the Treaty enter force.

The December 1992 summit in Edinburgh provided the best opportunity for the Community to set the process back on track. While relations had been strained over the past several months between the three countries, Major played a key role in attempting to smooth over the differences, especially those between himself and Kohl. Germany carried on extremely close talks with both France and Britain prior to the summit. This was especially apparent between Major and Kohl, in what was described by one official as "brainstorming by telephone."⁷³

What became apparent over the course of the summit was that it was not to be only a Franco-German show, but rather one which involved all three main players. Several

key decisions were made in the negotiating process, including the move to let Denmark chose whether to join a common defence or currency at a later date (essentially giving it an opt-out clause). In addition, agreements concerning the budget and the start of negotiations for enlargement on 1 January 1993 with Austria, Sweden, and Finland were achieved. All these measures were strongly pushed through with strong Anglo-German backing.⁷⁴ Hence, the likelihood that the Treaty could be salvaged jumped dramatically after the Edinburgh summit and the actions of the triangular association.

ENDNOTES-CHAPTER FOUR

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57. David Buchan, "Horse-trading before high noon," Financial Times 28 June 1991.
58. "Manoeuvres in line with a new era," Financial Times 26 June 1990.
59. Hans Binnendijk, "The Emerging European Security Order," The Washington Quarterly 14 (Autumn 1991), 74.
60. The disagreements surrounding enlargement has already been described.
61. "Last-minute bargaining," Financial Times 9 December 1991.
62. "Strasbourg Mps straining to flex their new muscles," Financial Times 12 December 1991.
63. Binnendijk, "Emerging European Security," 75.
64. Anand Menon, Anthony Forster and William Wallace, "A common European defence?" Survival 34 (Autumn 1992), 98.
65. Monon, et al, "A common defence?", 113.
66. Treverton, "The New Europe," 102.

67. Nicholas Comfort, "Major set for foreign policy deal," The European 25 October 1991.

68.68. Philippe Lemaitre, "What Maastricht means," Manchester Guardian Weekly 22 December 1991.

69. Like many other EC countries, the French public had little actual understanding of the actual details and consequences of the agreement. While the public supported the concept of European integration they were not fully educated by the government over the issue. Furthermore, for the first time individual countries were called upon to make visible sacrifices in the Maastricht Treaty (e.g. the surrender of their national currencies) towards European integration. These factors, combined with an economic recession and a turbulent political environment throughout Europe led to substantial public opposition, not only in France but throughout the entire EC. See "The tempo quickens," Financial Times 30 November 1991 and Anthony Hartley, "Maastricht's problematical future," The World Today 48 (October 1992), 179-181.

70. George Ross, "After Maastricht: Hard choices for Europe," World Policy Journal (Summer 1992), 499. Tension between the Bundesbank and Kohl resurfaced with the result of acting as a drag on EMU.

71. It is interesting to note that in the fall of 1992 the Swiss citizens failed to ratify the European Economic Area, thus throwing their application to the EC into considerable doubt.

72. "Major becomes treaty's champion," Financial Times 4 June 1992.

73. "Kohl brainstorming by telephone in search for Community accord," Financial Times 10 December 1992.

74. "Summit a success," Financial Times 14 December 1992.

CHAPTER FIVE

CONCLUSION

As the preceding chapters have demonstrated, the process of EC integration has been inconsistent. At times, the organization has made meaningful progress towards European cooperation, while at other times, it has floundered and fallen into a state of "Euroclerosis." This thesis has advanced the theory that it has been the triangular relationship between France, Germany and the United Kingdom which essentially controls the integration process. If cooperation and agreement characterize the association significant steps are made towards EC unity. However, when discord surfaces among the three primary countries, the process has stagnated.

Upon Britain's entry into the Community in 1973, the original Franco-German partnership, which had previously guided the organization, gave way to a new triangular model. This formation did not immediately evolve into a harmonious working relationship among the three member states. In fact, given Britain's disinclination to actively participate and advance EC collaboration, the association began under

rather arduous conditions. Quickly, the United Kingdom earned the reputation as being the reluctant member of the Community. At the same time, Franco-German relations remained relatively strong. Having been founding members of the organization, these two countries had worked hard to overcome old antagonistic feelings and forge a new era of cooperation. Consequently, the association originally reflected the shape of an irregular triangle, with agreement among the three being necessary but difficult to obtain.

Although consensus among the three has often been difficult to obtain, the model has produced positive results. Based largely on the agreement of the triangular association, the Community did progress from the days of stagnation to the increased cooperation entailed in the Single European Act and the Treaty on European Union. Essentially, changing domestic and international environments pressured the three member states to reassess their policies with regard to the organization. As it became more apparent that increased economic and political cooperation was, in fact, a viable solution to adjusting to these new challenges, the active participation of all three member states became clearer and the triangle took on a more equal structure, thus making compromise easier to attain.

It is also evident that within this model, the political leaders of the three countries are critical of its

workings. As outlined, Community agreements have depended upon the interstate bargains of the leading member states. Moreover, these accords are contingent upon the relations and actions of the heads of government. While a changing environment creates a climate which encourages a reevaluation of policies, significant results only occur when leaders have the desire or incentive to act upon them with specific actions. Since the triangular model is a series of bilateral relationships, the personal associations between the various leaders are important. For example, the amicable relationship between de Gaulle and Adenauer paved the way for a "special" relationship between France and Germany to develop. Likewise, Prime Minister Major and Chancellor Kohl have cultivated their friendship and established a good working relationship that has resulted in agreement among the states in a number of areas. Within the bargaining patterns of the model, alliances are strengthened and used to shore up various policy positions, thus also affecting the shape of the triangle.

When considering the European integration process, it must be acknowledged that it is possible to interpret the model in a different manner. This doctrine holds that it is the Franco-German alliance which has been the critical factor in the drive towards EC unity. Instead of the existence of a true triangular association, the actual

configuration resembles a situation where a strong Franco-German alliance propels the integration process ahead, while a reluctant Britain is dragged behind.

However, it does not appear that the Franco-German alliance can account for the shaping of EC integration as well as the triangular model. While Paris and Bonn have introduced the vast number of integration propositions, the final outcomes often resemble a triangular compromise. Although it cannot be denied that the Franco-German ties within the grouping is the strongest, the other bilateral bonds do influence and shape the integration process. The strength of the bonds vary depending upon the specific issue being considered, thus revealing honest policy differences and reluctance to integrate in specific policy areas. Furthermore, over time, changing international and domestic environments allow for a reordering of strengths and priorities among the three countries overtime, consequently shifting the shape of the triangle.

Through reviewing the integration process of the EC, the eventual outcomes exhibited what one would expect from such a model. With Britain's entry into to the organization in 1973, expectations ran high that the three countries would form a solid nucleus and move European unity forward. However, this did not turn out to be the case, and indeed, the period between 1973 and 1983 was an era of EC

stagnation.

Although Britain recognized the growing importance of Europe to its prosperity, the British were unwilling to actively participate in strengthening Community policies. A number of domestic and international events in the early and mid-1970s and the response by the United Kingdom reconfirmed London's reluctant commitment to the EC. The simultaneous discovery of large oil reserves in Britain's North Sea and rising energy prices coincided with the EC's effort to reach an agreement on the internal Community oil market. With a weak economy and intense domestic pressure to maintain complete control of its oil resources, the British government refused to yield to the EC plan of regulating the oil market, thus alienating itself from its Community partners. Also, the demand by Britain in 1974 to renegotiate its entry terms reinforced London's image of being a reluctant partner within the EC. Thus, the United Kingdom did not enhance the feeling of cooperation and unity in the integration process.

Additionally, strong leaders within the triangle played a prominent role in the integration process. Prime Minister Thatcher's strong personality and ideological beliefs greatly contributed to Britain's resolute position in refusing to sacrifice any power to the supranational organization. Her antagonistic stance on Britain's budget

contribution led to the angered her partners and generally created a situation of deadlock within the European Council. Moreover, in 1981, Mitterrand assumed the French presidency and set out to initiate an expansionist program to deal with the economic problems plaguing the country. This program conflicted with the economic policies of many of his EC counterparts, including those of Germany and the United Kingdom. In such an atmosphere, the desire to advance EC cooperation was severely hindered.

As a result of such conditions, this ten year period was characterized by little headway in the area of EC unity. With the three major member states unwilling to agree on many policy issues, EC integration stagnated. The more integration minded actors (such as the Commission, the Parliament and other member states) were unable to push the process forward. The only notable exception in this period was the formation of the EMS. However, even in this case, the overall validity of the model is not seriously jeopardized. Due to London's skepticism over the logic and the feasibility of the project, it chose simply not to participate. Furthermore, Britain maintained the right to enter the system if it eventually felt that it was in its best interest to do so in the future.

However, changing domestic and international environments altered the dynamics behind the integration

process. Increasingly, independent national strategies failed to produce satisfactory solutions to the problems of economic stagflation and high unemployment. At the same time, economic competition from Europe's international rivals intensified and threatened the long-run subsistence of key European industries. Likewise, the level of intra-Community trade continued to grow in importance for the countries, thus encouraging the preservation and solidification of this market. In addition, there was a convergence on ideological acceptance of the value of completing the internal market among the three political leaders. Thatcher, for example, was an enthusiastic supporter of removing the barriers within the Common Market. Similarly, both Kohl and Mitterrand were favourable towards the idea. Therefore, in contrast to the previous ten years, the three member states were able, by the mid-1980s, to reach some accommodation and further EC integration by pushing the SEA to its completion.

Additionally, a bargaining pattern materialized within the triangular association. For the most part, Britain established itself as the most reluctant member state to pursue increased EC integration. Although the United Kingdom has actively lobbied for more open Community trade and the other countries have advanced independent policies which hindered EC cooperation, such as France's

economic expansion program in the early 1980s, this generalization has held firm. On the other hand, France and Germany were more willing to advance EC unity and were even inclined to join together to threaten Britain with the prospect of a two-speed Community. When the United Kingdom was able to challenge the strength of the Franco-German alliance and establish their own relationship with one of the two countries on a specific issue, the triangular association took on a more equal appearance and allowed for more balanced negotiations to occur.

This general scenario was repeated in the early 1990s. Once again changing international and domestic settings forced the triangular association to reassess their policies with regard to the Community. The collapse of Soviet power in Eastern Europe and the end of the Cold War brought forth a new series of issues for the three countries to consider and find solutions for. These questions ranged from security issues to the possibility of EC enlargement. The partial answer agreed to by the three member states was to increase EC cooperation, which resulted in the agreement of the Treaty on European Union.

Upon careful examination of the negotiation process within the Community, it becomes apparent that the key to the process lies within the triangular association. While other countries are not excluded from the procedure, the

vast majority of key discussions center around the three bilateral ties of the triangle. This was clearly evident during the talks proceeding the agreement reached at Fontainebleau. Mitterrand, who held the presidency of the European Council at the time, conducted a strategy of shuttle diplomacy between Paris, London, and Bonn. Intensive talks between the three were clearly evident not only during the negotiations leading to the SEA, but also before the agreements reached at Maastricht in 1991 and Edinburgh in 1992. In essence, the other actors within the EC negotiating process were unable to decisively shape the outcomes and generally played supporting roles to the three major member states.

Furthermore, when reviewing the final agreements, it becomes evident that they generally reveal a compromise among the three countries. In most cases, the final results do not reflect a maximalist position, but rather that of a lower common denominator. For example, in neither the SEA nor the Maastricht Treaty, were the powers of the Parliament expanded to the amount wished by Germany (and supported by other maximalist EC actors). Instead, a lesser amount of responsibility was granted to the institution, reflecting the positions held by France and the United Kingdom. Likewise, depending upon the issue, different alliances are formed which are capable of advancing policies further than

Table III Evidence of triangular model

Issue or treaty	Strong Evidence	Weaker evidence
EMS		X
SEA	X	
EMU (EPU)		X
Enlargement	X	
Subsidiarity	X	
Expanded powers for Community institutions	X	
Foreign and Security policy	X	

their partner would like. This was evident in the decision to proceed with EMU (against Britain's wishes) and to begin enlargement negotiations (against France's wishes) with several countries. Thus, the negotiation outcomes generally reflect those associated with such a triangular model.

In general, the negotiations dealing with monetary issues yielded results which displayed weaker evidence than the other topics summarized in the table. Due to honest policy differences and a strong Franco-German alliance, Britain played a limited role in shaping the final outcomes. However, with respect to EPU, the negotiations produced more

balanced decisions which reflected the strength of the triangular association.

In summary, the integration process of the European Community depends upon the agreement of its three leading member states. Without the cooperation of the triangular association, the integration process has stagnated. However, when the three countries are able to cooperate and participate fully, European unity has advanced.

APPENDIX ONE

Total population of major EC countries in selected years (in millions)

	<u>Britain</u>	<u>France</u>	<u>Germany</u>	<u>Italy</u>
1960	52,372	45,684	55,433	50,198
1965	54,350	48,778	58,619	51,988
1970	55,632	50,772	60,651	53,661
1973	56,223	52,118	61,976	54,779
1975	56,226	52,699	61,829	55,441
1980	56,330	53,880	61,566	56,416
1985	56,618	55,170	61,024	57,128
1990	57,411	56,420	63,232	57,647
1991	57,577	56,679	80,168*	57,810
1992	57,751	56,940	80,732*	57,966

* 1991 and 1992 population figures are for unified Germany
 (Source: European Communities, European Economy, Brussels:
 Commission of the European Communities, May 1992)

APPENDIX TWO

GDP at current market prices for various EC countries - plus Japan and USA (ECU*; 1,000)

	<u>Britain</u>	<u>France</u>	<u>Germany</u>	<u>Italy</u>	<u>USA</u>	<u>Japan</u>
1960	68.5	57.7	68.2	37.6	486.1	42.1
1965	94.1	92.8	107.3	62.5	655.6	85.3
1970	121.2	139.8	180.5	105.1	986.7	199.3
1973	147.5	206.6	280.0	135.0	1,091.3	337.7
1975	188.6	276.0	336.7	171.2	1,275.4	411.2
1980	386.4	478.5	583.2	326.0	1,929.3	762.4
1985	602.6	691.7	818.9	559.8	5,192.4	1,774.6
1990	769.3	937.8	1,171.8	858.6	4,234.4	2,320.1
1991	818.1	971.6	1,356.8**	927.5	4,477.2	2,722.7
1992	861.2	1,027.7	1,463.9**	984.2	4,530.8	2,861.5

*ECU is a basket of unit, based on a quantity of each Community currency, weighted on the basis of the average GNP over five years and of the intra-Community trade of each member state. This weighing also takes account for each currency of the central share of the country concerned in the short-term monetary support between the central banks of the Community.

**1991 and 1992 figures are for unified Germany (source: European Economy, May 1992)

APPENDIX THREE

Export structure of Britain, France and Germany (% of total exports)

	<u>Britain</u>		<u>France</u>		<u>Germany</u>	
	<u>1958</u>	<u>1991</u>	<u>1958</u>	<u>1991</u>	<u>1958</u>	<u>1991</u>
Total intra-EC trade	21.7	56.3	30.9	63.6	59.3	54.1
Other OECD countries (Europe)	9.1	9.4	9.0	7.4	16.6	23.8
USA	8.8	11.0	5.9	6.0	9.3	4.8
Canada	5.8	1.6	0.8	1.0	0.7	0.5
Japan	0.6	2.2	0.3	2.0	0.2	3.6
Australia	7.2	1.3	0.5	0.5	0.3	0.4
Developing countries	33.6	15.8	46.9	16.7	9.3	9.0
Others	13.2	2.9	5.7	2.6	4.3	3.1

(Source: European Economy, May 1992)

APPENDIX FOUR

Import structure of Britain, France and Germany (% of total imports)

	<u>Britain</u>		<u>France</u>		<u>Germany</u>	
	<u>1958</u>	<u>1991</u>	<u>1958</u>	<u>1991</u>	<u>1958</u>	<u>1991</u>
total intra-EC trade	21.8	50.1	28.3	64.2	36.3	54.5
Other OECD countries (Europe)	8.7	11.8	6.7	7.3	15.2	14.9
USA	9.8	12.5	10.0	8.3	13.6	6.1
Canada	8.2	1.6	1.0	0.8	3.1	0.7
Japan	0.9	5.7	0.2	2.9	0.6	5.3
Australia	5.4	0.7	2.4	0.3	1.2	0.3
Developing countries	34.7	12.3	45.6	12.8	23.9	10.8
Others	10.9	5.3	5.8	3.4	6.1	7.4

(Source: European Economy, May 1992)

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