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The 1992 Initiative and the Relaunch of the Community

Between 1979 and 1989, the European Community, after looking briefly as if it were in terminal paralysis, regained the sense of rapid momentum it had possessed before de Gaulle and the adverse economic conditions of the 1970s. The Single European Act (SEA, 1986) was the largest single step toward fuller economic and political integration in Europe since the signature of the EEC treaty in 1957. By the terms of the treaty, the newly expanded twelve-nation EC—Greece joined in 1981; Spain and Portugal, in 1986—committed themselves to achieving a genuinely free internal market in manufactured goods and services by December 1992 by eliminating a host of restrictive nontariff practices that obstructed trade between the member states. The great achievement of Jacques Delors, the French finance minister who became president of the Commission in January 1985, was to place the single market at the heart of Europe's agenda.

The root cause of this liberalizing agenda was one that had underlain the movement toward European economic integration since the 1940s: the belief that establishment of a large domestic market would stimulate steady economic growth. Even during the 1970s, trade among The Nine had continued to grow despite the effects of the recurrent monetary crises.[1] The oil shock of 1979 to 1981, when prices of crude tripled in the space of a year, and the subsequent attempt by the United States to squeeze inflation out of its domestic economy by raising interest rates to record levels, which spilled over into Europe by driving up the price of the dollar and caused European inflation to rise, brought in its wake a period of economic stagnation and rising unemployment in the

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Community.[2] While the causes of this stagnation were mostly external, The Nine's sluggish response seemed to indicate that The Nine, for so long an area of extraordinary economic vitality, had become complacent and inflexible. "Eurosclerosis" became the favorite description of the European economy for gung ho Reaganites celebrating the revival of American economic performance in the early 1980s. By the mid-1980s, Europe's leaders were ready to make liberalizing Europe's economy a political priority.

Before then, the political obstacles in the path of a policy of economic liberalization at Community level blocked progress. In the early 1980s, three complex issues—the implications of French domestic policy, the question of British contributions to the Community budget, and enlargement to the Mediterranean countries, especially Spain—dominated The Nine's agenda and left statesmen (and one formidable stateswoman) with little time for major initiatives.

FRANCE SEES THE LIGHT

In the case of France, the issue was its defiant and, with the benefit of hindsight, quixotic attempt to build "socialism in one country." Raymond Barre's austerity programs provoked a backlash among the French electorate in 1981. First, Giscard d'Estaing was defeated in May for the presidency by the Socialist candidate François Mitterrand, and then, the Socialists and Communists won a large majority in the ensuing elections to the National Assembly. The declared objective of Mitterrand's first government, which was headed by Pierre Mauroy and contained several Communists, was to stimulate growth in the French economy while increasing the already generous social benefits enjoyed by French workers.

This strategy flew in the face of most analyses of the French economy's principal weaknesses. Many economists thought that France was already living beyond her means. Throughout the postwar years, France had been loading its productive economy with excessive social burdens. Robert Boyer states: "From 1970–84 French production costs grew faster than those of its competitors."[3] In the 1970s, moreover, France had begun to fall behind Germany and other European countries in the production of high-added-value products for export. These twin failings had led to sliding profits among major French companies and to a decline in the amount of business investment. The oil shock in 1979 compounded these problems by sharply raising production costs and reducing profits still further.

The Mauroy government tried to overcome these problems by boosting domestic demand and centralizing investment decisions in the hands of the state. The poorest households benefited from a policy of "redistribu-

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tive Keynesianism" worth about 2 percent of GDP; taxes were raised on the wealthy and on business; and the state nationalized key companies and banks.[4] The result of these policies was a predictable increase in imports since the majority of French consumers had more francs in their wallets. But France's industrial partners, who were in the midst of a recession, did not buy more French goods in return.[5] As Ronald Tiersky has written, "Mitterrand's high risk experiment foundered on the too-clever-by-half strategy of trying to use an international capitalist upswing to float the French Socialists' experiment."[6] State ownership, moreover, failed to solve the investment shortfall. Business investment actually fell in 1982, which had a knock-on effect on GDP growth.

France's growing balance-of-payments deficits and sluggish growth provoked a downward lurch in the value of the franc: an event that had European-wide implications since it meant that France was reneging on her commitment, within the EMS, to maintain stable exchange rates. France formally devalued the franc in both October 1981 and June 1982. The devaluations were, moreover, very considerable in size. The franc lost 10 percent of its value in June 1982, while Germany insisted upon a wage freeze in France as the price of her agreement. As Bernard Connolly puts it: "The combination of the ERM and the out-and-out Socialist phase of Mitterrand's government had led to almost total French monetary subjugation to Germany."[7]

By March 1983, Mitterrand's France was faced with an unpleasant choice between the EMS and its ideological commitment to building an economy founded upon socialist principles. The PSF might have elected to solve France's trade deficit by imposing a siege economy, with high tariff barriers in place against both the rest of the world and France's Community partners, but such a strategy entailed "rejection of the EEC," which was the rock upon which French foreign and economic policy had been founded for the previous thirty years.[8] Plenty of Mitterrand's closest advisers nevertheless advocated this course. They were resisted by the finance minister, Jacques Delors, who was convinced that the warm bath of protectionism could only drain the French economy of what vitality it still possessed.

Delors won the argument—just. In exchange for German agreement to a further devaluation of about 10 percent, Delors was authorized to implement cuts in public spending, raise taxes on personal consumption, and reduce taxes on business. Connolly is being provocative when he calls the March 1983 devaluation "a sort of monetary 1940," but the accuracy of his analysis is hard to dispute.[9] By March 1983, the French government had lost control of much of its sovereign power to make economic policy.

The lesson was not lost on Mitterrand. The French president suddenly rediscovered his European vocation and became an ardent proselytizer for further integration. Mitterrand told the European Parliament in May

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1984 that it was time for Europe to "put its quarrels behind it and to embark on the road to the future."[10] Mitterrand clearly reasoned that France would regain some measure of economic and political sovereignty only if she pushed for greater political integration within the EC. France had, in short, an impeccably "realist" reason for wanting to see greater integration take place.

Her major European partners, headed by West Germany and Italy, had done their best to keep the European flame burning in France's absence. Shortly after the third French realignment within the ERM, in June 1983, The Ten (Greece had entered the Community in 1981) signed a "Solemn Declaration" on European unification at the Stuttgart European Council (in EC law such declarations are regarded as statements of intent but are not legally binding). This declaration was the outcome of the so-called Genscher–Colombo initiative. In November 1981, Genscher and his Italian counterpart, the Christian Democrat Emilio Colombo, presented to the European Parliament (and subsequently to the European Council) a draft "European Act" with an appended "Statement on Questions of Economic Integration" that made a strong case for a limited, but nevertheless significant, increase in the degree of supranationalism within the Community. The draft act, for example, attached a very high importance to political cooperation, stating that one of the EC's central "aims" should be to "act in concert in world affairs so that Europe will be increasingly able to assume the international role incumbent upon it by virtue of its economic and political importance." Institutionally, it proposed that the European Council should become the "source of political guidance" for the Community and its central decision-making body. On the Parliament, the draft European Act was more timid: it would have remained a chamber that scrutinized and debated the proposals of the governments of the member states rather than an out-and-out legislature. The Commission was referred to as the "driving force of European integration," whose role was to advise and support the European Council on all matters, including foreign policy, with which the Commission would be "closely associated." Within the Council of Ministers, the draft act attached "decisive importance" to the reform of procedures to allow more majority voting. The statement on economic matters was less concrete in its prescriptions. It did affirm, however, that the common market should be "brought to completion" and that the member states should "strive" to obtain "increasing convergence of their economies."[11]

Between November 1981 and June 1983, the draft act was whittled down to size by a "prolonged negotiation" that brought the proposals, by June 1983, "back within the confines of treaty orthodoxy."[12] In particular, the idea of promoting more frequent majority voting in the Council of Ministers vanished from the final text in the face of concerted hostility

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from several member states, notably Greece and Denmark. The section on the Parliament, moreover, offered such diluted increases in its role that the Parliament passed a motion on June 9, 1983, openly expressing its dissatisfaction. In one regard, however, the Solemn Declaration laid down an important pointer for the Community's future strategy. It indicated the "completion of the internal market" and the "elimination" of nontariff barriers as the most plausible area for concerted Community action in the near future, along with reinforcing the ERM.[13] France's Damascene reconversion to the European cause in March 1983 made this objective a workable one.

In retrospect, the Solemn Declaration's importance was symbolic. The German-Italian venture should be seen less as a "missed opportunity" to secure an advance in European unity than as a restatement of first principles by Bonn and Rome.[14] The early 1980s were arguably the nadir of the EC's fortunes. Summit after summit ended in public acrimony as the British fought relentlessly for a reform in Community financing. It is hard to imagine that two hardheaded statesmen of the caliber of Genscher and Colombo genuinely thought that the time was ripe for an act that possessed even limited supranational overtones. The purpose of the Genscher–Colombo initiative was surely to indicate to Paris and London that two at least of the "big countries" had not lost faith with the European project.

THE BRITISH BUDGETARY QUESTION

Between 1979 and 1984, the British budgetary question was Banquo's ghost at almost every meeting of the European Council. Mrs. Thatcher wanted "her money back" and would not let the Community progress until she had been compensated. The nature of the problem is quite straightforward to describe. Throughout the 1970s, the EC budget grew rapidly, even allowing for inflation. Two countries, Germany and Britain, were paying far more into the Community than they were getting out. In the absence of a budget agreement, Britain's net contribution was scheduled to overtake Germany's in 1981 to 1982 and to rise to over 2 billion Ecu per year.[15] In short, when Mrs. Thatcher took office, Britain was on the verge of becoming the EC's paymaster—though, as Thatcher points out in her memoirs, Britain was only the seventh richest country in income per head.[16]

Britain's excessive contribution was a consequence both of the way in which the Community was financed and of the way in which it spent its money. The Community received 1 percent of the money raised in sales taxes (VAT) by the member states; it received the proceeds of levies

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on incoming agricultural products and the proceeds of tariffs on extra-Community imports. This was an extremely unsatisfactory formula for Britain, which continued to import large quantities of products from the Commonwealth and the rest of the world. True, British trade with the rest of the EC increased substantially in the 1970s—rising from £6.3 billion in 1972 to £37.3 billion in 1979.[17] But trade with the Community still represented less than half of Britain's total trade. Britain had to pay in a considerable sum in levies and import duties to the Community budget.

This would not have mattered had Britain been benefiting from EC payouts. But she was not. By 1979, the EC was spending three-quarters of its budget on the CAP. Britain, with its limited agriculture sector, received relatively little (£500 to £600 million a year by the early 1980s) in subsidies and price support funds. Since 1973, Britain had been the largest single beneficiary from the European Regional Development Fund (ERDF), receiving 28 percent of all funds committed by the fund until Greece's accession, and 23.8 percent thereafter. But in cash terms these did not amount to much. Between 1975 and 1981, Britain received a measly £720 million from this source.[18]

Britain, in short, was paying lots in, but not taking much out. For many Community officials, this was the membership fee that Britain had to pay if it wanted to be in the club and be part of an area of growing economic prosperity. Obviously, if everybody insisted on treating the Community budget as a ledger in which incomings and outgoings had to be exactly balanced, there would be no point having a Community at all.

Mrs. Thatcher nevertheless had sound political reasons for taking a tough line with Europe. Her government began implementing controversial cuts in programmed public spending as soon as it came to power. Thatcher's cabinet lopped £6.5 billion from planned spending in 1980 to 1981 but were still faced with a public sector borrowing requirement of almost £10 billion.[19] Using British money to keep French farmers in the bucolic idyll to which they had become accustomed was not an option in these circumstances. As Mrs. Thatcher argued in October 1979: "I can't play Sister Bountiful to the Community while my own electorate are being asked to forego improvements in the fields of health, welfare, education and the rest."[20]

The Dublin European Council, on November 29–30, 1979, was "the occasion for Europe's first encounter with Mrs. Thatcher in full flood." During dinner on the first day, Thatcher spoke for four hours "without pause, but not without repetition" about the British budget problem. Helmut Schmidt pretended to sleep; Giscard looked on in unfeigned horror; Francesco Cossiga of Italy "wrung his hands."[21] The other member states were prepared to offer Mrs. Thatcher £350 million a year (about 600 mil-

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lion Ecus); she stood out for a full refund. The British government had a card up its sleeve. In the last resort, it possessed the option of withholding its VAT contributions (in her memoirs, Mrs. Thatcher records that "even the possibility" of this action—which was of dubious legality—caused "satisfactory anxiety in the Commission").[22] On the other hand, if Britain overbid, there was a real risk that the other eight members would make her an offer and tell her to take it or leave the Community.

It gradually dawned upon Mrs. Thatcher's fellow leaders, however, that she was not going to be bluffed. At the end of April 1980, at a meeting of the European Council in Luxembourg, The Eight threw in their cards. Britain was offered a rebate worth 2.4 billion Ecus. Mrs. Thatcher rejected the deal, throwing the Community into potentially its worst crisis since 1965. It was one bluff too many, however. The French and the Germans refused to be "handbagged" any further. Under pressure from the Foreign Office, Thatcher grudgingly accepted an almost identical bargain negotiated at a meeting of the foreign ministers a month later.[23] Ironically, in both 1981 and 1982, the British contribution turned out to be far lower than anticipated, although in 1983 the issue returned once more to the forefront.[24]

It is interesting to note, in retrospect, how the debate over the British contribution swiftly became an exercise in haggling, rather than a discussion of first causes. The British budgetary question arose only because the CAP had succumbed to the logic of its own central design flaw: keeping farmers—all farmers—on welfare. In the late 1960s, farm commissioner Sicco Mansholt had proposed a plan to ensure that the long-term costs of the CAP did not get out of control. Mansholt had argued that there were simply too many farms in the EC that were uneconomic at even the high rates of subsidy that the CAP was prepared to pay. It would be better, Mansholt suggested, to remove land from agricultural production, increase forestation, and shift spending on agriculture to structural measures to improve rural incomes. Perhaps half of the Community's ten million farms should go, the Dutch commissioner warned frankly.[25] This "deliberate and openly admitted plan to reduce the workforce in farming" "roared on to the Community stage like a lion" in 1970. After gigantic riots in Brussels in the spring of 1971 by angry farmers and prolonged dilution of the proposals by the Council of Ministers, the Mansholt plan left the stage a "rather tame and timid mouse."[26] The CAP remained a blank check for farmers, and enlargement to Denmark and Ireland, both of whom, like France, had large agricultural sectors with farms that stood to benefit from the status quo, only made matters worse.

Even the "Comprehensive Agreement" reached with the British carefully stated that the Community, despite pledging itself to "structural

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changes" to eliminate "unacceptable situations" for any member state, would not "call into question" the "basic principles of the common agricultural policy."[27]

Yet reform was urgently needed. In the early 1980s, the CAP's central design flaw was blatantly obvious: there was constant political pressure to keep farm prices high (in order to keep farmers on the land and to buy rural votes), but higher prices naturally gave an incentive for higher production, which generated huge food surpluses that the Community had to buy.[28] This led to the accumulation of the hugely unpopular "wine lakes" and "grain mountains."

In May 1983, the Commission imposed caps for key products such as milk and grain on the amount of production for which the guarantee price would be paid. Farmers no longer possessed an unlimited license to produce at the taxpayer's expense. This reform to the CAP was the main achievement of the Luxembourger Gaston Thorn, who replaced Roy Jenkins as president of the Commission in 1981 and had the unenviable job of running the Commission during the Community's most litigious period.

What the Commission was not suggesting was a more market-oriented approach to agriculture. In a host of ways, the CAP's interventionism produced negative outcomes. Subsidies, far from enriching Cornish hill farmers or Sardinian shepherds, went disproportionately to already wealthy cereal farmers from Northern Europe, since their yields—helped by large doses of chemical fertilizers and other environmentally damaging practices—had risen faster than anybody's. European consumers, who were being denied access to beef from the Argentine, bananas from Ecuador, and wheat from Canada, had to pay higher prices than necessary in the shops. EC-subsidized exports of grain, meat, and sugar were the source of endless trade friction with the United States, Australia, and South America.[29]

The CAP had not even eliminated domestic subsidies by national governments for farmers. The wild currency fluctuations of the 1970s made a nonsense of the original idea of common agricultural prices almost as soon as the CAP came into force. As a result, from the early 1970s onward, countries had been allowed to pay "monetary compensatory amounts" to farmers to ensure that rivals from weak currency countries did not seize an "unfair" advantage. The French, in particular, were also using a vast range of illegal aids to subsidize agriculture: of fifty-one such subsidies identified by the Commission in 1980, thirty-nine were being used by the French government.[30]

The CAP was moreover an obstacle to enlargement of the EC. Despite the vital political importance of EC membership as a bolster for the still fragile democracies of Portugal and Spain, negotiations were long de-

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layed by fears that the Iberian countries would provide unwelcome agricultural competition and place the CAP under intolerable strain.

A 1982 study of the CAP stated bluntly: "A decade and a half of empirical evidence has confirmed that as an economic policy for the Community as a whole the CAP was irrational."[31] A more recent study has confirmed that the CAP "can hardly be defended from any point of view . . . [it] . . . can really be called the worst agricultural policy in the late twentieth century."[32] A policy can be irrational and indefensible, however, and still have plenty of backers. In the case of the CAP, its supporters were politically powerful farmers' lobbies and the national governments of large agricultural exporters, especially France, Ireland, the Netherlands, and Denmark. It was simply more expedient for Europe's leaders to pay Mrs. Thatcher off than to stop the CAP budget's remorseless growth—growth that Thorn's 1983 measures slowed but did not stop.

MEDITERRANEAN ENLARGEMENT

Greece, Portugal, and Spain all applied for EC membership during a two-year arc in the mid-1970s. Greece, whose military dictatorship crumbled in 1974 after the debacle of the Turkish invasion of Cyprus, formally applied in June 1975; Portugal applied in March 1977, as soon as its own democratic transition had stabilized. Spain, the largest and most problematic of the three would-be entrants, was the last to apply in July 1977. Until the Spanish Socialist Party (PSOE) took power in October 1982, Spain's political instability precluded her from pursuing membership with full vigor.[33]

The three Mediterranean countries presented both a challenge and an opportunity for the EC. In the superb documentation prepared by the Commission for the Copenhagen European Council meeting in April 1978, a clear picture of the chief difficulties consequent upon enlargement emerges.[34] These were

- Economic imbalances: All three would-be entrants had smaller per capita GDP than any member state. This was a particular problem in the case of Portugal, whose income per head, at purchasing power parity, was estimated by the Commission to be just $1,504—less than 50 percent of the per capita incomes of every existing member state except Italy ($2,742) and Ireland ($2,512). Spain ($2,384) and Greece ($2,309) did better by this measure. The relatively good performances of Greece and Spain, however, disguised enormous regional differences. Cities such as Athens, Madrid, and Barcelona

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enjoyed "European" standards of living; the more rural regions of both countries were as poor as Portugal. The Commission's overall assessment was that The Three possessed a "stage of development lying mid-way between the less-developed countries and the industrialized countries."[35] If The Three entered, it was clear that the rest of the Community was going to have to dig deep into their pockets to pay for infrastructure improvements and to soften the economic costs of entry. It was also assumed that all three countries would become large net exporters of labor once their citizens were at liberty to move throughout the Community: a politically sensitive issue at a time of rising unemployment. Large numbers of Greeks and Portuguese were already working in France and Germany.

- Agriculture and fisheries: All three countries had substantial, none-too-efficient agricultural sectors. The number of people employed in agriculture in the Community would increase by 55 percent if The Three were admitted; agriculture represented 16.6 percent of GDP in Greece, 11.8 percent in Portugal, and over 10 percent in Spain. Admission of The Three raised the specter of deeper wine lakes, a citrus fruit sierra, and overproduction of olive oil. French and Italian producers would face cheaper competition in these areas, as would Irish and British trawlermen, who would have to open their fishing grounds to the gigantic Spanish fleet.
- Trade and industry: All three countries specialized in manufacturing sectors—textiles, chemicals, footwear, food processing—that were already problem industries for the Community. Until the early 1970s, Spanish industry in particular had sheltered behind a formidable array of formal and informal trade barriers. There were serious worries that Spain's coddled industrial sector would not be able to cope with membership of the common market. All three countries possessed worsening current account deficits as their imports of increasingly expensive oil outweighed their surpluses in manufactured exports and "invisible" earnings such as tourism. All three countries had suffered from high rates of inflation throughout the 1970s. The currencies of all three Mediterranean applicants were thus seen as unpromising potential members of the EMS.
- Institutional questions: The Commission warned that "with twelve members, the institutions and decision-making procedures will be under considerable strain and the Community will be exposed to possible stalemate and dilution unless its practical modus operandi is improved."[36] The only way around this problem was to extend qualified majority voting and to weaken the unanimity principle enshrined in the Luxembourg compromise. Deciding how many votes each country should have in the Council of Ministers and how many

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> seats in the Assembly was also no easy matter. Spain was a large country in terms of population (36.2 million), but its total GDP, at the then exchange rate, was not much larger than the Netherlands', which had twenty-two million people fewer. Greece and Portugal were entitled to the same weighting as Belgium (all three had just under ten million inhabitants), but their contribution to the Community's economy was far lower. The Commission was insistent that, as a general principle for regulating such matters, "the Community must . . . avoid any appreciable shift in the existing balance, based on a combination of demographic factors and political considerations, between member states."[37] But this was easier said than done.

Mediterranean enlargement therefore posed a number of difficult questions. The Commission nevertheless argued that "the challenge of enlargement can and must be the start of a new Community thrust towards the objectives set by the authors of the treaties."[38] Its view appeared to be that by anchoring The Three in the Community, democracy would be safeguarded in the applicant states—and the EC itself would obtain a new lease on life as it altruistically sought to bring The Three's levels of development up to rich-country standards.

Despite this high-flown aspiration, negotiations proceeded quickly only with Greece, which signed a treaty of accession on May 28, 1979. President Kostantinos Karamanlis of Greece ably used his personal prestige as the restorer of Greek democracy and skillfully played upon the EC's feelings of guilt about not having opposed the dictatorship of the colonels with sufficient vigor to get Greece a very satisfactory deal. Giscard d'Estaing dryly commented that "it was not Greece that went into Europe but Karamanlis."[39]

Greece was given, with allowance being made for the usual battery of exemptions, five years beginning on January 1, 1981, to implement the *acquis communautaire* (the accumulated legacy of EC law). Greek tariffs and quotas were to be gradually reduced on EC products by January 1986; the Community's agriculture regime (and prices) was to be phased in over the same period; the drachma was to be added to the "basket" of currencies used to calculate the value of the Ecu. The Greek government was to designate which regions would qualify for regional aid under the ERDF. Except for steel products, the member states promised to eliminate all tariff discrimination against Greek products from January 1, 1981. Greece was given five votes in the Council of Ministers and twenty-four seats in the Parliament, and was allowed to nominate one commissioner and one justice on the Court. In return for this settlement, the EC insisted that there should be a seven-year suspension of freedom of movement within the Community for Greek nationals.[40]

Spain and Portugal's accession, by contrast, was still unresolved in 1981 when Mitterrand came to power. The Community quailed at the challenge presented by Spanish entry in particular. The Commission's "Opinion on Spain's Application for Membership," submitted to the European Council at the end of November 1978, was distinctly gloomy. While it was formally favorable to Spanish entry, its opinion largely concentrated on pointing out the "scale and complexities of the problems arising from Spain's accession."[41] The opinion made, moreover, a number of suggestions—the immediate introduction of VAT and a longer transition period for agriculture than industry—that caused "consternation" in Spain, where industrial leaders responded by saying "yes to membership, but not at any price."[42] Spain's grave political problems, which culminated in a tragicomic attempted coup by reactionary army officers in February 1981, hardly strengthened its cause.

There were two other major obstructions, however. The first was French hostility to Spanish entry. Under Giscard d'Estaing, French worries about Spanish agricultural competition and the likelihood that Spanish entry would lead to a reduction in the size of the subsidies paid out to French farmers, bogged down negotiations. By the end of 1981, there had been twenty-five negotiation sessions, including nine at ministerial level, but no single chapter of the accession accords had been completed.[43] French obstruction lessened after the election of Mitterrand—on March 22, 1982, six chapters of the accession instruments were agreed in a single marathon bargaining session—but did not disappear entirely. However, when Spain elected a Socialist government that had placed membership of the Community at the heart of its manifesto, the new prime minister, Felipe Gonzales, hoped that "Socialist solidarity" would weaken France's tenacious defense of her national interests.[44] He was swiftly disillusioned.

It was not until Mitterrand's conversion to a pro-European stance in the spring of 1983 that Spanish and Portuguese entry became a genuine possibility. But it was still clear that the French government would not let the Iberian democracies in at the cost of her farmers' incomes. The June 1983 Stuttgart European Council offered a glimpse of hope when, following a successful visit to Bonn by Gonzales, Germany (who would have to shoulder most of the financial burden) proposed increasing the Community's share of VAT revenues from 1.0 to 1.4 percent, but explicitly linked any such increase to a successful resolution of the enlargement question.[45] But Britain's agreement had to be obtained for any such move, and Mrs. Thatcher was unbending in her determination to limit Britain's EC contribution, which was rising again, to "fair" levels. The December 1983 European Council in Athens was dominated by the budget crisis and ended with the member states being unable even to agree upon a final communiqué.

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The crucial act of political will, which made enlargement to the Iberian countries certain, came only at the Fontainebleau summit (June 25–26, 1984), which committed the EC to resolving all the technical problems associated with enlargement within three months—after first resolving the budget problem. This ambitious timetable was not respected—not least because Greece, of all countries, made its "yes" to enlargement conditional upon the institution of "integrated Mediterranean programs" from which it could benefit—but the summit's decision did give decisive impetus to the negotiating process.

Spain and Portugal finally signed their treaties of accession in March 1985. The terms were less generous than the treaty with Greece had been, although the Iberian countries were allowed a longer transitional period than Greece to adjust to membership. Beginning on January 1, 1986, a seven-year transitional period was agreed for the full reduction of all tariff barriers and quotas imposed by the Iberian countries on industrial products. For agricultural products, the transitional period was seven years for Spain and ten years for Portugal. Unlike the Greek case, this accord was to be reciprocal: Spanish wine growers and citrus fruit producers were not allowed immediate access to the Community market but had to wait for the EC's own tariffs to be gradually eliminated over the same time span. Spanish and Portuguese citizens, like the Greeks before them, had their freedom of movement within the Community suspended for seven years; access to northern fishing waters was also to be restricted for the same period. Spain was awarded eight votes in the Council of Ministers; Portugal, five. Sixty deputies were to be elected to the European Parliament by the Spanish electorate; Portugal was awarded twenty-four MEPs. With these additions, the Parliament reached the unwieldy size of 518 members. Three new portfolios were created on the Commission, with Spain being awarded two places and Portugal one.[46]

Overall, membership of the EC did not offer Spain and Portugal the prospect of overnight prosperity. It did, however, symbolize the return of the two states to the democratic mainstream after nearly fifty years at the margins. Both states would prove capable of grasping the political opportunities presented by EC membership with both hands.

THE 1992 INITIATIVE AND THE DOOGE COMMITTEE

The decision to approve the entry of Spain and Portugal into the Community was not the only decision of importance taken at Fontainebleau. First, the Community's leaders finally defused the British question. The preceding Brussels European Council in March 1984 had ended

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in disarray, when Mrs. Thatcher's demands had enraged the French and Italians. Mitterrand openly warned Britain that she should not assume that the rest of the Community would wait forever. A Europe *à deux vitesses* (two-speed Europe) was thinkable.[47] At Fontainebleau, the Community's desperate need for a bigger overall budget (to pay for an enlarged CAP) coincided with some unexpected flexibility from the Iron Lady. After a day and a half of talks, Britain was guaranteed 1 billion Ecu for 1984 and an automatic 66 percent refund thereafter in return for supporting an increase in the Community's "own resources" from 1 percent of VAT revenues to the 1.4 percent suggested by the Germans at Stuttgart the year before.[48] This refund would be guaranteed so long as the 1.4 percent rate remained. Since Britain possessed a veto over any alteration to this figure, the deal was very acceptable for Thatcher, who had got most of what she was asking for.[49]

The summit also took the key decision to relaunch the project of the European Union—for which the Parliament had been pressing—by appointing two ad hoc ministerial commissions. The first, which was to deal with the question of the "Europe of Citizens," was chaired by the Italian politician Pietro Adonnino. It eventually recommended the introduction of important innovations such as the diffusion of a European driving license and making May 9 "Europe Day." The second, on institutional reform, was chaired by an Irishman, James Dooge.

The Fontainebleau summit ended with an effusion of hope for the future of the Community from the gathered leaders, including Mrs. Thatcher. A document presented by the British government to the European Council pressed for immediate action to "harmonize" market-deforming standards and practices in order to create a "true" single market; urged the abolition of frontiers and all obstacles to the movement of people, capital, or goods; spoke of the need for a "common approach" in foreign affairs; and claimed The Ten should show their "political will" on the world stage. It even recommended more frequent use of qualified majority voting (QMV) in the Council of Ministers.[50]

There was, in fact, enough harmony among the gathered leaders for them to agree on replacing Gaston Thorn with Jacques Delors. The Council realized it needed to appoint a heavyweight figure from a big country that would not be overshadowed by the national leaders. Delors, a technocrat who had also served in the European Parliament before becoming Mitterrand's finance minister, was the ideal choice: so much so that the Germans, who might have been expected to nominate a candidate of their own, were among his strongest supporters. The Commission that Delors and the national governments assembled in the next months was an experienced body, which could boast among its number Lorenzo Natali of Italy, who had served as vice president of the Commission since January 1977, and Claude Cheysson, who had served in the Commission under

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Ortoli, Jenkins, and Thorn. Yet the member of the Commission who had the most impact was a newcomer. Lord Arthur Cockfield was a British businessman who had been minister for trade and industry under Mrs. Thatcher. Delors appointed him as commissioner responsible for the internal market, the liberalization of which was made the centerpiece of the new Commission's agenda for 1985.

In retrospect, it can be seen that the time was ripe for an initiative in this field. The leaders had committed themselves to it in the 1983 Solemn Declaration; the British government, so wary usually of initiatives with a "European" flavor, was deregulating its own economy with vigor, and freer trade within the Community offered the prospect of boosting sluggish economic performance and getting unemployment down from the socially dangerous levels (the Community average had soared to above 11 percent during the recession of the early 1980s) to which it had risen. Business groups, the most important of which was the so-called European Round Table, were also lobbying hard for a reduction in nontariff barriers to trade and for enhanced measures of deregulation.[51]

There had also been an important judicial stimulus for reform. In the Cassis de Dijon case (no. 120/78), the ECJ ignored the German government's imaginative defense that under German law Cassis (a black currant liquor) was too strong to be classified as a wine but too weak to be spirits and held that a product lawfully produced and marketed in one member state should normally have access to the others, unless compelling reasons of health and safety could be adduced to the contrary.[52] Quite apart from winning the esteem of German drinkers, the ECJ, by its ruling, also "created a simple standard for resolving trade disputes."[53] This, in turn, weakened the member states' previous resistance to the notion that there should be harmonized standards at Community level, for "mutual recognition would lead to national measures being applied to national products only, while goods produced in member-states with less stringent requirements would have to be admitted freely."[54]

One can exaggerate, however, the extent to which the Court's ruling opened the trade barriers within the EC. In the aftermath of the Cassis de Dijon ruling, the Thorn Commission drafted detailed legislation to achieve common product standards, but most of it never reached the statute books. In the meantime, Germany continued to ban imports of foreign beer by invoking its time-honored beer purity laws, Italy rejected all pasta that was not made with hard grain, and Belgium insisted that margarine should be sold in cubes, not rectangles.[55]

Cockfield's key contribution was to pressure the member states into living up to their rhetoric on the single market and free trade. Upon becoming commissioner, Cockfield bundled together the numerous suggestions for legislation piled up by the Thorn Commission into a single white paper, *Completing the Internal Market*, which contained nearly three

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hundred proposed regulations and directives.[56] The document also had a compelling rationale (Cockfield called it a "philosophy"), which was that the EC should become a "space without barriers." Customs posts and border controls, the physical symbols of the Community's continued division, should be torn down. But so should the invisible restrictions on trade in goods and services that were equally effective at segregating national economies.

The individual chapters were concerned with specific physical, technical, and fiscal barriers that needed to be abolished if the overall objective of a barrierless Community was to be attained by 1992. In the meantime, the document insisted, member states should conduct trade on the basis of mutual recognition of national standards and should not allow the absence of a European norm to affect the import of any product.

Completing the Internal Market was more than a mere memorandum on technicalities, however. It concluded with a rhetorical flourish that underlined its historical importance. In every politician's favorite cliché, the Commission claimed, "Europe stands at the crossroads." The Community could either press ahead with the plans outlined in the document or "drop back into mediocrity." The free movement of goods was "the indispensable precursor" for a more historic objective: "European unity." Failure to implement a single market in goods, services, and people by the end of 1992 would be to "offer the peoples of Europe a narrower, less rewarding, less secure, less prosperous future than they could otherwise enjoy."[57]

Cockfield and Delors were well aware, of course, that Europe's statesmen were perfectly capable of subscribing to such lofty sentiments about Europe's future while defending national interests tooth and nail. The Commission accordingly distributed the document just two weeks before the Milan summit on June 28–29, 1985, in order to give national governments little time to think up exceptions.

The dedication and energy that Cockfield brought to the task of completing the single market lost him the esteem of his patroness. In her memoirs, Lady Thatcher describes Cockfield as "a natural technocrat of great ability and problem-solving outlook." She adds, however, that he "was prisoner as well as master of his subject." It was "all too easy" for him to "go native" once he got to Brussels and move from "deregulating the market to re-regulating it under the rubric of harmonization."[58]

Thatcher's immediate wrath was directed against Cockfield's proposals to harmonize indirect taxes throughout the Community. Cockfield's defense—that article 99 of the EEC treaty required such harmonization since varying tax rates could distort the market by advantaging countries with low tax regimes—provoked a glacial encounter between the British prime minister and her appointee.[59] Tax harmonization was one aspect of

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the white paper that did not survive the subsequent negotiating process. Thatcher subsequently explained her position in her memoirs: "Competition between tax regimes is far more healthy than the imposition of a single system . . . in any event, the ability to set one's own levels of taxation is a crucial element in national sovereignty."[60]

Thatcher and the British government had also begun to cool on other aspects of the project launched at Fontainebleau. The Dooge Committee was punctuated by British intransigence. The Fontainebleau communiqué had rashly compared it to the 1956 Spaak committee, and the committee was thus burdened with the expectation that it would present proposals for a historical transformation of the EC's institutions. Pressure for more supranationalism had been growing for some time. In 1983, the European Parliament, ably instigated by the veteran Italian federalist Altiero Spinelli, drafted "Treaty on European Union," which envisaged a greatly empowered European Parliament, effectively equal in status to the Council of Ministers, and a clear division of competences between the Union and its member states. The draft treaty was formally approved by the Parliament on February 14, 1984, and was submitted to the Fontainebleau summit for its reaction.[61]

None of the member states were prepared to countenance the Parliament's proposal. But some countries (the Benelux nations, Italy, Germany) were more willing than others to implement some of the Parliament's recommendations. The British, backed up by the Danes and the Greeks, were much less enthusiastic.

The divergent positions were reflected in the report of the Dooge Committee to the March 29–30, 1985, meeting of the European Council in Brussels. The committee agreed that Europe's "priority objectives" were "a homogeneous internal economic area," "promotion of the common values of civilization," and the "search for an external identity," but they were divided over the means. The committee wanted "efficient and democratic institutions" for the EC but had quite different interpretations of this phrase. The argument raged in particular around the question of whether formal veto power would be retained or dispensed with by member states for all but "exceptional cases." Denmark was determined not to give up her formal veto power in the Council; Britain was equally opposed to relinquishing her sovereign power to say no. The majority of the committee favored an increase in the Parliament's powers of "joint decision making," among other reforms, seeing this as a way of making the Parliament a "guarantor of democracy in the European system": Britain merely urged the Parliament, within its existing treaty powers, to "make a more effective contribution." In all, some thirty-seven different points of dissent were entered as footnotes to the text agreed by the majority.[62]

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The British and Danes were actually on the horns of a particularly uncomfortable dilemma. Both wanted to press ahead with market liberalization but without paying a cost in sovereignty. But market liberalization was impossible while the veto remained. Once Cockfield's white paper became public knowledge, the dilemma sharpened. Britain welcomed the laissez-faire thrust of the Commission's proposals and expected to do well from them. But the white paper, in the absence of QMV for single-market legislation, manifestly offered almost three hundred opportunities to use the national veto unless the member states compromised their sovereign rights.

Nevertheless, at the Milan summit, Britain and Denmark stood by their blank refusal to surrender the veto. The British suggestion, that there should be a "gentleman's agreement" that QMV would be used for single-market issues and that member states should have to defend any use of the veto by giving a public statement of their reasons, found little favor among the rest of the Community, who perhaps reflected that one of the gentlemen was a lady of strong convictions.

The impasse was broken by Italian prime minister Bettino Craxi and his foreign minister, the perennial Giulio Andreotti, who realized that article 236 of the EEC treaty allowed them to call, by a simple majority vote, an intergovernmental conference to discuss the amendments to the treaties proposed by the Dooge Committee. The Dooge Committee had itself recommended that its recommendations be discussed by a conference of this type. With the support of all the member states except Britain, Denmark, and Greece, Craxi put the matter to the vote. Mrs. Thatcher found herself in the unusual position of being "bulldozed" into doing the will of others, but she was compelled to acquiesce.[63] Italian historiography has somewhat nationalistically described this diplomatic victory for Craxi and Foreign Minister Andreotti as "one of the most important successes of Italy's European policy"; events would prove that it was no more than a deft procedural move. It was Mrs Thatcher's approach, not the Italian government's, that prevailed once the IGC began.[64]

THE SINGLE EUROPEAN ACT

Britain was in fact more successful than any other country in writing its agenda into the language of the final treaty. During the intergovernmental negotiations that took place in the autumn of 1985, Britain skillfully accepted much greater use of QMV but in return drove a very hard bargain over the single market. In her memoirs, Thatcher makes her negotiating stance perfectly clear:

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> I had one overriding positive goal. This was to create a single common market. . . . British businesses would be among those most likely to benefit from an opening up of others' markets. For example, we were more or less effectively excluded from the important German insurance and financial services markets where I knew—as I suspect did the Germans—that our people would excel. . . . The price which we would have to pay to achieve a single market with all its economic benefits, though, was more majority voting in the Community.[65]

The internal market was defined as "an area without internal frontiers in which the free movement of goods, persons and capital is ensured," and the Community committed itself to "progressively establishing" this area by December 31, 1992. The treaty made clear that legislation necessary for the achievement of this objective would be decided by QMV in all matters except "fiscal provisions" and matters relating to "the free movement of persons" and "the rights and interests of unemployed persons." Article 17 of the SEA amended article 99 of the EEC treaty to ensure that proposals to harmonize "turnover taxes, excise taxes and other forms of indirect taxation" would henceforth require a unanimous vote in the Council of Ministers.

Thatcher, aided by Germany and the Netherlands, tenaciously resisted any attempt to include economic and monetary union among the objectives of the EC. Article 20 of the SEA, which dealt with general economic policy, merely committed European leaders to "cooperate with each other in accordance with the objectives of article 104 of the EEC treaty" (which requires each member state to pull off the enviable balancing act of ensuring "the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices"). The SEA did, however, open up the prospect of an intergovernmental conference being called in the event of further developments in the economic and monetary field becoming necessary. Though this gave Britain a de facto veto over the evolution of the EMS into anything more ambitious (since treaty changes suggested by an IGC had to be approved unanimously), Thatcher would have cause to rue this concession.

Mrs. Thatcher also resisted a determined effort by the Italian government to give the European Assembly (or Parliament as it was for the first time explicitly referred to in a Community treaty) powers of legislative "codecision" (i.e., putting it on a par with the Council of Ministers). In the SEA, the Parliament gained two new powers. First, it was given the right of assent over all treaties of enlargement and association made by the Community. Second, article 7 of the SEA introduced the so-called cooperation procedure for some ten articles of the revised

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EEC treaty—the "cooperation procedure" being, in effect, the power to delay, though not veto, legislation. About two-thirds of the proposals in the Commission's "internal market" white paper were to be decided by this new approach.[66]

The SEA, if anything, strengthened the role of the Community's executive in the legislative process. This point was subsequently stressed by the European Parliament when it debated the SEA in January 1986. The distinctly unenthusiastic motion proposed by supporters of the SEA perceptively pointed out that the act had transferred substantial legislative responsibilities from elected national parliaments to the unelected Commission and to national governments.[67] Since 1986, it has been objectively true that in many crucial areas of policy EC governments need to concern themselves more with building a winning coalition within the Council of Ministers than with winning over backbenchers in their own national parliaments. The fact that most EC legislation is made during bargaining sessions between national executives and the Community central administration is the root cause of the EC's (now EU's) notorious democratic deficit. Arguably, it has also been a major contributing factor in the generally acknowledged decline in status of national parliamentary institutions in the EC states. Voters are well aware that the real action takes place in Brussels—but can do little or nothing to influence developments there.

The introduction of the single-market clauses, the wider adoption of QMV, the safeguarding of member states' veto power over tax questions, the adoption of the cooperation procedure, and the suggestion that economic and monetary union might be resolved by a further intergovernmental conference constituted the major elements of novelty in the SEA. But the treaty also contained a series of related articles on social policy, economic and social cohesion, research and technological development, and the environment. In retrospect, it is clear that Mrs. Thatcher thought she was turning the Community into a market economy administered by national governments. Most of the other heads of state or government thought, by contrast, that they were creating a social market economy, on the Rhineland model, that would evolve into a more tightly knit political Community with the passage of time.

Thus article 21 obliged member states to "pay particular attention to encouraging improvements" in health and safety matters and urged them to make "harmonization of conditions" their objective in this area. The Commission was instructed to prepare directives establishing minimum requirements for gradual implementation in the social policy field, although the act was careful to state that such directives should "avoid imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-

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sized undertakings." This commitment to harmonized health and safety initiatives, in conjunction with article 18's explicit call for high levels of protection in these areas, was to become one of the major sources of Mrs. Thatcher's subsequent alienation from the EC and its works. The Commission and most of the member states tended to regard this article as legitimating Community action in the general sphere of social policy. The commitment of such countries as Denmark, France, and the Netherlands to top quality standards in social policy was absolute. Such countries were afraid that laissez-faire countries such as Britain would steal a cost advantage once the market became truly free. But they were also alarmed that harmonization might level-down standards to British or American levels: to avoid this fate, article 21 specifically provided for member states introducing "more stringent measures for the protection of working conditions" if they wished.

Economic and social cohesion, at the behest of the Greeks, became a Community priority. Article 23 of the treaty introduced a commitment to "reducing disparities between the various regions and the backwardness of the least-favored regions." The member states were to "conduct their economic policies" with this aim in mind. Overall, the language of the new clauses expressed the fears of the Mediterranean countries—including the two Iberian democracies which, being on the point of entry, had participated in the negotiations—that the internal market, unless it was tempered with rapid investment to enable them to catch up, would only heighten the economic superiority of the richer northern countries.

The environmental provisions of the SEA, by contrast, reflected a fear on the part of the richer countries that boosting economic growth, as the internal market promised to do, meant more pollution and a lower quality of life. They laid down as a principle that Community action on environmental issues should ensure "the polluter should pay" for the pollution caused: a dictum that opened up the prospect of the Commission introducing legislation to tighten fuel emission targets or to compel recycling. It was agreed, however, that on environmental regulations, that although QMV would be used "to define those matters on which decisions are to be taken," the Council of Ministers would make final decisions by a unanimous vote.

The lengthiest provision in the SEA was article 31 on European political cooperation (EPC), which was brought into the treaty framework. To a very great extent, the member states reiterated the positions they had taken since the early 1970s. They promised to "endeavor to formulate" common foreign and defense policies; to "ensure that common principles and objectives are gradually developed and defined"; and to "endeavor to avoid any action or position which impairs their effectiveness as a

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cohesive force in international relations." Much of the complex machinery coordinating foreign policy discussions between the member states was now formalized into words (and a permanent secretariat of officials seconded from the foreign ministries of member states was established). Yet the integration of foreign policymaking remained in its infancy. Despite this fact, final ratification of the SEA, which was signed in February 1986, was held up until July 1987 because an Irish citizen, Raymond Crotty, argued successfully in the courts that the Irish constitution would have to be changed by referendum before the clauses on political cooperation could be approved.[68] The Irish electorate dutifully did change the constitution, though less than half bothered to vote.

The SEA was only signed, let alone ratified, after some embarrassing argument. In January 1986, the Danish parliament passed a motion rejecting, by a narrow majority, the text of the act and urging its government to renegotiate terms. This demand was obviously impossible, and so Denmark instead held a hastily organized referendum on the SEA on February 27, 1986. When the Danes voted, the SEA passed with a 56 percent vote in favor. By then, nine countries had formally signed the treaty at a ceremony in Luxembourg on February 17; Italy and Greece grouchily opted to wait until the result of the Danish referendum and eventually signed on February 28. The Italians were at pains to underline their "deep dissatisfaction" with the SEA as a worthwhile step toward European integration. Foreign Minister Andreotti, upon signing, placed an official record of dissent in the annals of the intergovernmental conference: in his view, "objective analysis of the results of the conference showed that the SEA was merely a partial and unsatisfactory response to the need for substantial progress."[69]

At the signing ceremony, other advocates of stronger European institutions did their best to put a good face on the results of the conference. Hans van den Broek, the Dutch foreign minister and president of the Council of Ministers in the first half of 1986, said the SEA possessed the merit of striking a balance between "the possible and the desirable"; Frans Andriessen, a vice president of the Commission, described the SEA merely as "the embodiment of what is feasible in Europe" and expressed his wish that the member states had displayed "more courage in their commitment to the completion of the internal market and the enhancing of the monetary dimension."[70]

The European Parliament made even these effusions of faint praise seem like eulogies. Altiero Spinelli said dismissively, "The Council has produced a mouse, a miserable, stillborn mouse." In another cutting remark, Spinelli said, "They have left us with the bare bones."[71] A significant minority of MEPs wanted to make a symbolic vote of rejection; eventually, however, the Parliament approved the treaty by passing a motion that asserted that the intergovernmental conference had been

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"undemocratic" in keeping the Parliament "at arm's length" throughout the negotiation and described the SEA as being "very far from constituting the genuine reform of the Community that its people need." The Parliament urged the member states and the Commission to "exploit to the very limit the possibilities offered by the Single Act."[72]

EVALUATING THE SINGLE EUROPEAN ACT

There is little doubt, in retrospect, that the doom and gloom that accompanied the signing of the SEA was more angst over dashed expectations than a lucid appraisal of the act's significance. True, the member states had shrunk during the IGC from instituting parliamentary democracy on a continental scale and had chosen to make more policy in negotiations among themselves. However, what is surprising—bewildering is perhaps the correct word—is that anybody should have thought that the federalist option stood even the remotest chance. It is fascinating to read the conclusion on the SEA of the standard Italian history of European integration, Bino Olivi's passionately profederalist work *L'Europa difficile*: "The intergovernmental conference's attempt to arrive at a treaty instituting European Union had failed; the contents of the SEA were inadequate and piecemeal [*inorganico*], less comprehensive than even the most pessimistic predictions on the eve of the talks."[73] This is a good example of how historical writing is inevitably permeated by the author's own values and hopes. That the objective of the IGC might actually be European Union never crossed Mrs. Thatcher's mind. And what crossed Mrs. Thatcher's mind counted a good deal more during the negotiations than any number of draft treaties from the European Parliament.

But the inescapable fact that was missed in the immediate recriminations over the outcome of the SEA negotiation was that the member states had committed themselves to completing the internal market and that even the states most traditionally jealous of their national sovereignty had been willing to relinquish their right of veto in a wide range of policy areas. The case of Britain is particularly striking. Mrs. Thatcher, in pursuit of the economic gains she believed market liberalization would bring for Britain's competitive financial services sector, had approved a document that allowed Britain's European partners to make law applicable to British citizens without, at any rate in theory, the consent of the British government. As Hugo Young has written, the Single Act "surrendered sovereignty, accelerated momentum . . . it seemed to signal Britain's open-eyed engagement with the dominant culture of the Community."[74]

More generally, the SEA was, to use Pinder's terminology, a massive advance in the degree of negative integration present in the Community;

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but it also opened the prospect, if the political will existed, of pursuing positive integration in the fields of monetary policy, health and safety, and economic cohesion. This was not small beer. It was wildly unrealistic of European federalists to expect the Iron Lady to give any more. The SEA may have been a lowest common denominator agreement, but the common denominator was a high one.

Moreover, the fact that all twelve member states had put their names to a document of the SEA's importance was in itself an achievement that few academic commentators would have predicted in the late 1970s or early 1980s. Probably the best work of scholarship on the EC in these years was a book by the British international relations theorist, Paul Taylor. Significantly entitled *The Limits of European Integration* (1983), Taylor's book argued that the EC had settled down into little more than a collaborative association of nation-states. Supranational institutions like the Commission had waned in importance, while intergovernmental institutions like the European Council had waxed. The presidency of the Council of Ministers had become a key role, with individual governments using their presidency to obtain a share of the Commission's agenda-setting function. Despite the direct election of the European Parliament, European political parties had not formed; this reflected the fact that Community consciousness at a popular level was nonexistent.[75] The EC was, in short, a useful institutional facilitator of interstate cooperation, but it was not a significant political actor in its own regard.

According to Taylor, the causes of this loss of impetus were inherent in the nature of the project. The ideology of the European movement had posited a "United States of Europe," with centralized institutions and an open economy, to which every democratic European country could belong. But centralizing power in Community institutions had run into the predictable problem of persuading recalcitrant national institutions to give up power. Moreover, there was too great a diversity in the member states' economic and social circumstances for everybody to be included comfortably into a single formula. Policies such as the EMS and the CAP were constantly being amended to take national circumstances into account and had become denatured as a result. Expansion of the Community to include Britain meant that the Community had lost the "dominant core" of France and Germany as a driving force.[76] The Community's efforts and energies had increasingly been diverted toward satisfying British objections to its existing practices rather than pressing on toward greater integration. The only way out of this situation of blockage, Taylor argued, was to allow "Europe à la carte." This was to permit the practice of partial agreements among the member states so long as a specified minimum of states approved.[77]

Taylor's recommendation reflected the frustration felt by many pro-European academics, policymakers, and politicians in the early 1980s.

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Britain's behavior over the budget, France's flirtation with a siege economy, and France's watchfulness during the entry negotiations for the Iberian democracies had bred a mood of resignation. Openly pro-integration, Taylor could see in 1983 no other way of regenerating "a stronger sense of Community."[78] If partial agreements were permitted, he argued, there would probably be rapid movement toward economic and monetary union, a passport union, abolition of frontier controls, and the introduction of common welfare policies in a select group of states. Other countries could join when and if they were ready: in the meantime, they could pass "parallel legislation" in their national parliaments whenever a particular regulation struck them as worthwhile.[79]

The SEA proved that the EC could make one last collective leap forward. It did not disprove Taylor's overall thesis; the Schengen and Maastricht treaties, which are discussed in the next chapter, were only possible because the Community renounced a set menu for all its diners. The idea of "Europe à la carte," moreover, has since been dignified with the name of "enhanced cooperation" and written into the Treaties of Amsterdam (1997), Nice (2001), and Lisbon (2007). But, while negotiating the SEA, all of The Twelve did eventually agree upon the same, admittedly restricted, list of courses—much though some of them wanted to taste the splendid, but possibly indigestible, desserts being offered by the European Parliament. Why? What persuaded the national governments to abandon the negativity of the early 1980s and contemplate the substantial reduction in national sovereignty implicit in the SEA?

The SEA was, in retrospect, the outcome of a unique set of circumstances. These were (1) Britain, having resolved the budgetary question, was both relatively open to EC initiatives and ideologically inclined toward free markets; (2) completing the single market, especially after the Cassis de Dijon ruling, was an objective that had wide appeal among the member states on economic grounds; (3) France, having experimented with an overambitious form of domestic socialism, placed European integration at the heart of her policy as a way of regaining some degree of economic sovereignty; (4) the enlargement of the Community to the new democracies of the Mediterranean made institutional reform desirable; (5) the leaders of Germany and Italy, in particular, showed a strong propensity to test the limits of European integration and push for significant renunciations of national sovereignty to Community institutions. Germany, moreover, backed her rhetoric with hard cash. By allowing France to devalue the franc within the EMS and by paying for the British budget rebate, Germany prevented these two more acrimonious partners from wrecking the Community altogether.

Exceptional political leadership also played a crucial role. Two politicians in particular stand out. Margaret Thatcher's preference for free

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markets and her underestimated personal pragmatism overcame her abhorrence of surrendering national sovereignty and ensured that an agreement was reached among The Twelve. But her willingness to compromise was limited and ensured that the process of integration remained firmly in the hands of the national governments—even if those governments soon found themselves with their hands full.

Jacques Delors convinced Mitterrand in 1983 that France could not go back on her postwar choice of participating in a wider European market. When he became president of the Commission, Delors showed subtle political judgment in making the completion of the internal market, rather than monetary and economic union, the flagship of the Commission's proposals and charismatic leadership in selling the Commission's ideas to the national governments. Hugo Young has said, rightly, "The Single European Act . . . was a fusion between the visions of Margaret Thatcher and Jacques Delors."[80] The Iron Lady has never lived this uncomfortable fact down.

Although Delors and Thatcher shared a belief in the value of free markets, their intellectual companionship ended there. The internal market, in the view of Delors, required a social dimension, with high levels of welfare protection, if it were not to be a mere charter for business. It also required a mechanism to prevent the competitive devaluation of currencies—the last major barrier against imports available to member states. These issues would ignite the conflagration in relations between Britain and the rest of the EC that soured Community politics between 1988 and 1990 and would lead to Mrs. Thatcher's ousting in November 1990 as leader of the Conservative Party. They would also be the most controversial elements of the Maastricht Treaty (February 1992), which at once superseded the SEA as the most important addition to the corpus of Community law since the EEC treaty.

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