CHAPTER I

EVOLUTION OF THE EUROPEAN UNION:
SUCCESS OF NEO-FUNCTIONALISM?

The post Second World War Europe witnessed two significant, but antagonistic, movements each shaped by its geo-political setting aimed at the consolidation of its region. These two developments were the movement for European unity and the establishment of the Community of Socialist states. The socialist states went ahead with the formation of the Council for Mutual Economic Assistance in 1949, which, however, could not continue its existence once the cold war was over. On the other hand, the movement for European unity that took a concrete shape with a definite institutional structure with the creation of European Community (EC) by the Treaty of Rome in 1957 began to make all-round progress and is treated as a successful experiment.

The remarkable feature of EC, later known as the European Union (EU), is its proposed supranational character and the manner in which its members were tied to each other. Most of these members, interestingly, had centuries long tradition of mutual hostility often prompted by scramble for colonies. The objectives sought to be achieved by the EC included the adjustment of national conflicting interests through regional conciliation within the framework of supranational cooperation.

The EC/EU today signifies European unity. However, the creation of the EC was preceded by a number of efforts aimed at European unity. Therefore, it would be pertinent to delineate the milestones in the historical evolution of the EC/EU.
Historical Setting

The exigencies of the post-Second World War period gave a practical shape to the concept of European Unity. Nevertheless, it was an ideal perceived differently at different times throughout the European history. Broadly, the concept of European Unity permits two fold characterisations: first, based on dictated terms. Second, an institutionalised approach to unity. Former is reflected in various checks and balances like 'Balance of Power', 'Concert of Europe' or 'system of alliances', or efforts to effect unity through force such as Charles V in the sixteenth century; Napoleon, the Bonaparte towards the end of the eighteenth and the early nineteenth centuries and; Hitler and Mussolini from the second decade of twentieth century etc.1

However, these could not stand the test of the time since they were based on mutual suspicion and distrust or on the hegemony of some monarchs or states over the smaller ones. Naturally, it lacked popular sanction and durable base.

Quite contrary to these was an institutionalised approach to unity as outlined by prominent thinkers. To mention a few, there was a proposal by Pierre Dubois in the beginning of fourteenth century for creation of a European federation and Emeric Cruce's suggestion in 1623 for an assembly in which "all sovereigns would have a permanent ambassadors".2 Idea could also be traced in Duc de Sully's "Grand..."
Design" (1638) for setting up a Council of fifteen leading Christian states and William Penn's (1693) Diet or Parliament for the meeting of European Princes. An interesting proposal can also be noted in the writings of Saint-Simon who in 1814 argued for uniting people of Europe in a single body-politic each preserving national independence in his Reorganisation de la societe Europeene (Reorganisation of European Society).

Though these projects could not materialise, for, some of them had limited objectives like maintaining Christendom intact, what is striking about them is that these ideas, unlike the authoritarian methods, were based on voluntary and peaceful approach and represented a genuine concern for larger European identity. These writings bestowed a powerful influence on the later generation in the conceptualisation of a European unity.

There was a gradual realisation in Europe that the projects for unity fail because of the lack of harmonisation of the conflicting interests of different nations to serve the larger interest of Europe in a proper perspective. The efforts in this direction took momentum only in the twentieth century, particularly in the aftermath of the first world war. This was necessitated by the awareness among the Europeans that excessive and aggressive nationalism had been productive of wars with devastating impact for both the victor and the vanquished. Wars were seen as the result of nationalistic rivalries and the nation-state as increasingly becoming a failure even to sustain democracy and industrialisation, as rise of authoritarian

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regimes and depression during inter-war period indicated. So it was believed that the rigid concept of nation state was outliving its utility, and that new thinking for new political structures beyond its domain had become imperative to maintain peace as well as to prevent a further decline of Europe.

However, not much progress could be made in this direction due to the Britain's lack of interest and rise of Fascism in Italy and Nazism in Germany despite the efforts of Richard N. Coudenhove-Kalergi and French political leaders. The outbreak of second world war showed clearly that the time was not ripe for a composite European political unity.

In passing, however, it may be remarked here that even during the war, the idea of European unity did not fade away completely as could be noted in several instances such as Winston Churchill's' writing to his Foreign Secretary on 21 October 1942, mooting the idea of a "United Europe" or among the leaders of anti-Nazi resistance movements who denounced the destructive forces of nationalism hoping for the creation of European union.

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Post Second World War Phase

In the post-war period as Prof. Chopra note pertinently, the centre of gravity of world power had shifted to a country or region outside Europe (to the USA) or in the periphery of Europe (to the USSR) and, secondly, the West Europeans who were the principal architects of the concept of nation-state were reduced to a medium rank, a fact which they could not reconcile easily. Europe now not only developed "identity crisis", but also had become the main area of new superpower contention.

Against these odds, the major task of West European nations in the post-war period became the rehabilitation and reconstruction of their war-ravaged economy and security both against the internecine feuds and perceived Soviet expansionism. Supplementary to the crises was the liquidation of imperial system and increasing demands of liberation movements for decolonization of colonies in the Third World. The realisation that these challenges could be met only within the broader co-operative framework provided a motivation to strive for achieving unity concretely.

The prevalent mood proved further conducive to unity. First, the incentive for European unity had already been given by Churchill in September 1946 in his speech at Zurich University where he hoped to "recreate the European family in a regional structure, called, it may be the United States of Europe". Secondly, many groups with varying political perceptions came into being arguing for unity.

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Mention may be made of, all party *Council Francais pour l'Europe unie* (French Council for United Europe); Left wing "European Union of federalists"; *Nouvelles Equipes Internationales* consisting of Christian Democrats and Centrist parties and, "Socialist Movement for United States of Europe".  

Third, there was a change in the perception of the US towards the concept of United Europe. The US in the past had viewed European unity moves with a suspicion of excluding American interests. But the post-war scenario convinced the US that the divided and economically weak European powers, especially France and the UK, could not deal with the problem of German resurgence and the Soviet influence in Europe. Hence, the US began to be supportive of European unity. 

Pertinently enough, the moral and material assistance of the US through the Marshal Plan (1947) and the subsequent recovery of the economies under the Organisation for European Economic Cooperation (OEEC -- established as a corollary to Marshal Plans on 16 April 1948) coupled with fear of the Soviet Union's expansion created an environment sound for West European unity. And by the end of 1940s, several intra-European and Euro-Atlantic Organisations came into effect in different contexts for different purposes. 

Prominent among them was the North Atlantic Treaty Organisation (NATO), a military alliance signed on 4 April 1949 as a 'defensive-offensive'

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9 See Zucher, n.5, pp 21-23; Mayne, n.2, pp.79-80; European Movement, n.3, pp.33-34.
alliance primarily to restore the confidence shaken by the domestic revolts in the socialist states of Hungary and Czechoslovakia, and the Soviet blockade of Berlin in 1948. This was signed by the USA, Canada and five signatories of the "Treaty of Brussels" (17 March 1948). The latter was an expanded version of the earlier Anglo-French "Dunkirk Treaty" (4 March 1947) directed against possible German resurgence with the inclusion of Benelux (Belgium, Netherlands and Luxembourg).

On 5 May 1949, another Treaty was concluded in London embodying the statue of the "Council of Europe". This initially aroused great hope among the proponents of European federalism, but this hope was short lived as it, mainly owing to the British pressure, turned out to be an intergovernmental organisation rather than an embryo of European federalist structure.

A closer analysis of the plethora of organisations created since 1945 shows that these organisations conform to traditional patterns of interstate alliance, and none of them bears the mark of "supra-nationalism". Most of them came into existence under the initiative and inspiration of the United States, sometime also...

13 Documents on American Foreign Relations, n.11, p.226.
having non-European countries as members as in the case of the NATO. Hence, they could not be considered as pure European products.

Nonetheless, the emergence of such large number of European and Euro-Atlantic organisations was productive of an environment in which European unity movement gained momentum culminating in the creation of the EC. It is in this background that the differing Franco-British attitudes and the Schuman Plan establishing the European Coal and Steel Community need to be examined.

**Schuman Plan**

Britain's attitude was disappointing to many who hoped that Britain - less affected by the war - would take a lead in uniting Europe.\(^\text{15}\) But victory in world war had strengthened the Britain's sense of national pride and achievement. In the post-war period instead of European unity, as Foreign Secretary Bevin put it up, Britain was much concerned with maintaining "... a sound relationship between Europe, the Commonwealth and the USA."\(^\text{16}\)

So Britain avoided every initiative that would bind the country closely with Europe and saw closer participation in the integration of Europe as a constraint on its freedom of action. Britain favoured European cooperation only if there was no superimposition of any supra-nationalism as has been the case with OEEC, the NATO, and the Council of Europe.

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\(^{15}\) As early as 1941, Belgian leader Spaak wrote reflecting the European leaders attitudes. "After war. Europe will be glad to unite behind Britain's victorious leadership, provided (1) Britain remains strong: (2) Britain concerns itself with Europe... She must assume the responsibility born of her supremacy." Again in 1942 he wrote, "... in the middle of the war... thinking of the future, dreaming of a federated united Europe, I want to see Britain leading a movement, which could champion this idea..." Paul-Henri Spaak, *The Continuing Battle: Memoirs of a European 1936-1966*, Henry Fox trans. (London: Weidenfeld and Nicolson, 1971), pp.76, 77.78.

The pattern of intergovernmental cooperation which Britain favoured was distinctively less appealing to France. The latter was distrustful of its traditional rival, Germany. The inception of the new German states, the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR), in 1949 was much against the wishes of France. Further FRG's (West Germany) economic miracle and its changing role in the Western bloc as a potential check against the Soviet westward expansion were viewed with dismay in France. The future of the Ruhr and the Saar regions with rich mineral resources and heavy industries was also a matter of grave concern to these two traditional rivals.

France in the past had dealt with the German threat through alliance with Britain. But now the general attitude of Britain towards Europe made France to reconsider its role with Britain. The only possible alternative open to France in the context to defend itself against any future German threat was to ally itself with Germany.

Commensurate with this objective, a framework was provided by Jean Monnet, the Head of French Reconstruction Plan. Monnet believed that the key to European peace was an alliance between France and Germany and imprecise nature of such an alliance was less important than the realisation of this historical reconciliation. Monnet hoped that this process could begin from a sector beneficial to each, which would increase cooperation and faith, and owing to the logic of functional expansion it ultimately leads to facilitation of creation of a supranational Europe.
Aware of national sensitivities and competition over resources, Monnet mooted the idea of international/supranational control over those heavy industries, which, as in the past, could be used in the future wars: their pooling up under joint control create "the first concrete foundations of the European Federation which is indispensable to the maintenance of peace".\(^\text{17}\)

Inspired by Monnet, French Foreign Minister, Robert Schuman envisaged a plan at a press conference on 9 May 1950 wherein he declared:

".... The gathering together of the nations of Europe requires the elimination of the age-old opposition of France and Germany...'

'With this aim in view... the French government proposes to place Franco-German production of coal and steel as a whole under a Common High Authority, within the framework of an organisation open to the participation of the other countries of Europe...'

'The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible..."\(^\text{18}\)

The plan served both economic and political purposes. It provided a solution to the existing state of nationalistic production and cartelisation by harmonisation and planning of coal and steel production. It sought to institutionalise interaction through the creation of an organisation that was bound to facilitate further good will.

France was suspicious that any prior information about such a project might induce Britain to stall or mould the plan according to its requirements. So the Schuman plan was prepared without letting Britain to know about it with the


connivance of America. The US appears to have supported such an idea on the assumption that Germany tied to Europe and United Europe could withstand temptation of the Soviet offers and influence and, could share responsibility with the US.

Responses to the Schuman Plan

The real pooling of the coal and steel industry and 'High authority with binding decision-making power' were the two conditions emphasised by Monnet narrowed participation from 17 in OEEC and 15 in the Council of Europe to a 'little Europe of the six' who were willing to transcend the imaginary confines of nation state.

The plan was welcomed by the FRG, with Chancellor Adenauer hailing it as a "magnanimous step towards Germany and Europe." He was aware that since it would have to supply a major chunk of coal and steel, it was sure to occupy a crucial position in the proposed community. Adenauer was also aware that the establishment of the Community presupposed the abolition of International Ruhr Authority and a further advancement towards restoration of sovereignty since the allied control would give way to an internationalisation process in which the FRG would be an equal participant. It was hoped that this would make it easier for acceptance of Germany by its neighbours and open up large markets to German goods. As in both economic reconstruction and political acceptability, the Schuman

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19 The US Under Secretary of State, Acheson admits that he and Ambassador David Bruce were outlined about such a plan on 7 May 1950 in Paris who were requested to keep the matter secret till public announcement. See, Dean Acheson, Present at the Creation: My Years in the State Department (London: W.W. Norton, 1969), p.382.

plan was expected to fill the bill, supported by a parliamentary majority, Adenauer gave his formal approval to the Plan on 16 May 1950.

But as far as Britain was concerned, it saw no immediate prospect for a "federal union" focussed in the Schuman Plan. It also feared that in integrated Europe, welfare policies of Britain would be jeopardised. Hence it declined to give any kind of prior commitment and transfer of authority to such a body over which it would not have any control.21

On the other hand, Benelux countries, which were already united by a Customs Union (1948), welcomed the idea. Once their bigger neighbours moved in the direction of a closer economic union, Benelux countries could not afford to stay outside.22 In particular for Belgium, the plan offered secure markets for its industries as the country relied heavily on coal and steel. For the Netherlands, as a major freight carrier with a large ports and natural infrastructure, plan assured greater prospects and a market for its agricultural products.

Apart from the economic benefits, the geographical location and the bitter experiences of the two world wars also made Benelux countries to respond to the Plan positively. The Schuman Plan also appealed to the Italian Prémier, Alacide de Gasperi, who in view of the high rate of unemployment and dependence of his country's economy on the imported raw materials for its heavy industries found the Plan more sound.

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21 Documents, n.18, pp.87-88.
European Coal and Steel Community (ECSC)

Resulting from Schuman Plan, Treaty establishing ECSC was signed in Paris on 18 April 1951 by France, West Germany, Italy and Benelux countries and was ratified by 1952. The treaty aimed at creating real solidarity and common bases for economic development and, broaden and deepen community feeling.\(^\text{23}\) The objective of the ECSC was to set up a common market in phased stages for coal and steel.

To carry on tasks assigned by the Treaty, certain unique organs were created; (1) High Authority (2) Parliamentary Assembly (3) Court of Justice (4) Council of Ministers representing national governments with a view to secure coordination between the policies of the Community and component members.\(^\text{24}\)

The ECSC sought to provide conditions necessary for creating goodwill among its members and was viewed as a launching pad for further integration. Here the popular federalist goals are not lost track of, but is allowed to be created on the basis of functional necessities facilitated by increasing faith and cooperation; and by organisational backup.

-But the significance of the ECSC is not just that it laid foundation for a possible federal Europe by an incrementalist way, but also it prevented future conflicts between France and West Germany by pooling resources and increased

\(^{23}\) Treaties Establishing the European Communities (Luxembourg: European Communities, 1983), p.15.

\(^{24}\) The Council of Ministers was created on the insistence of Benelux countries who, in the absence of any real political federation and fearful of Franco-German coalition, were wary of giving to the High Authority an exclusive power to determine common policies. See William Diebold, Jr., The Schuman Plan: A Study in Economic Cooperation 1950-1959 (New York: Praeger, 1959), pp.60-67. In fact, Monnet's original plan did not include a place for national interests.
interaction. Further by indicating that membership is open to all European countries, including Eastern Europe, it aimed at promoting peace in Europe.

'Re-launching' Europe

The successful creation of ECSC brought forth suggestions for creation of more of such (functional) organisations. But exigencies of the time led to an experiment in 1950 for a "European army" with a complete merger of 'men and equipment' under a 'single European Political and Military Authority' accompanied by a 'European Political Cooperation' (EPC). It was a French idea for binding Germany close to Europe in some form of a federal set-up in response to American suggestion for German rearmament and its subsequent inclusion in NATO framework to counter Soviet Union's perceived westward expansion.

But this federal experiment failed in 1954 owing to French refusal for ratification of the treaty largely due to the change of government with socialists ceding place to Gaullists and British refusal to participate in the EDC giving rise to the fear that instead of 'Europeanising the German Army' the whole process could turn into 'Germanising the European Army'.

The rejection of EDC not only spelt a ruin to the materialisation of the plan, but also indicated that such outright federal construction was not possible at least in

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25 Many plans were envisaged around this time like Petsche plan, Pella plan, Stikker plan, 'Green Pool', 'White Pool' etc., which however had no impact like EDC plan. See, Hans A. Schmitt. The Path to European Union; From Marshal Plan to the Common Market (Baton Rouge: Louisiana State University Press, 1962) pp.57-58; Mayne, n.2, pp.98-100
28 Fursdon, n.26, pp.217-18; Chopra, n.12, pp.30-32; Lerner, ibid.
the near future because of national sentiments: gradual, sectoral integration was put on the agenda again.

This clearly was manifest at Messina conference convened to 'relaunch Europe,' which apart from the enthusiasm created by success of the ECSC, was facilitated by number of factors; First, awareness that Britain would not lead in building-up supranational Europe as was evident in the British initiative to form inter-governmentalist 'Western European Union' (WEU) in October 1954 expanding 'Brussels Treaty' to include West Germany and Italy. Second, with success of ECSC many proposals came forth for extending ECSC pattern to new fields of action like that of Monnet's proposal for integration in nuclear field; the proposal of M.Beyen, Foreign Minister of the Netherlands for customs union etc. Third, Change of leadership in France with M.Edgar Faure replacing Mendes-France. The new Premier and M.Pinay, his Foreign Minister, though not supporters of supra-nationalism, at least were 'sympathetic' with 'Europeans'.

Fourth, increasing signs of Franco-German interaction especially under Mendes-France favoured new initiatives. Fifth, the USA's opinion, in general, was in favour of Franco-German conciliation and European unity vis-à-vis the Soviet Union and for sharing defence burdens. Sixth, the Benelux suspicion of the Franco-German domination led the Netherlands to propose for a Benelux discussion on European Integration in April 1955 and, the Dutch diplomacy had a beneficial impact on the scheduled Pinay-Adenauer (Franco-German) talks which emphasised the need for European cooperation in the fields of transport, peaceful
use of atomic energy etc. 29 Seventh, parliamentary Assembly of the ECSC on 14 May 1955 by a resolution favoured the summoning of an intergovernmental conference to plan steps of European integration.

In this background, the Messina conference of Foreign Ministers on 2 June 1955, considering the Benelux governments' formal memorandum of 20 May 1955 for a general common market and for new action in transport, energy etc. (avoiding the use of controversial terms like supranationalism), entrusted to a new committee of governmental delegates headed by the Belgian Foreign Minister, Paul-Henri Spaak, the task of examining and reporting on 'how' the 'fresh advance towards building of Europe' could be achieved. It also decided to invite Britain, which was the only 'associate member' of ECSC for participation. 30

Messina conferences' decision can be considered significant in four ways; first, there was a broad agreement between member-states on the need to 'relaunch Europe'; second, Committee was entrusted with the task to study 'methods', and not need for integration; third, the wise selection of Spaak to head the Committee, who exercised coherence and drive in the lengthy meetings that followed; fourth, presence of ECSC High Authority participants like Pierre Uri, the head of economic division, in the committee implied coherence with ECSC and acquisition of their experience in the drafting of ECSC and future Community institutional relations.

30 Documents on International Affairs, RIIA (London, 1958), pp.163-66; Camp argues that France accepted British participation at Messina because France was interested in collaboration with Britain in the development of atomic energy as Britain was ahead of other continental countries with its "special relationship" with the US. So considerable material and technical advantage could have gained. Sec. Camp, Ibid. pp.27-28.
Britain responded coolly to the invitation by sending a junior member from the Board of trade to attend the Spaak committee meetings as its representative, indicating it did not commit itself to Messina resolution. However, even this representative was withdrawn when it became clear that the committee intended to form a customs union and not a free trade area as desired by Britain. Britain's non-participation removed any British influence on the emerging community.

Britain appears to have not liked the idea of getting involved in European entanglements and of West Germany and France coming together, as their coming together would have weakened the position of Britain as a balancer. But its objection to the customs union mainly centred around the usual concerns; it would, (1) strain the relationship with the US and affect preferential trade with Commonwealth countries; (2) lead to creation of supranational institutions; (3) force Britain to become a part of an eventual European union; (4) embark on new activities outside the framework of OEEC.³¹

The Foreign Ministers of 'the six' meeting at Venice in May 1956 considered intergovernmental (Spaak) committee report submitted in April 1956 recommending common market and development of Atomic Energy Community and, authorized a conference to be presided over by Spaak himself to frame a draft treaty establishing European Economic Community and European Atomic Energy Community.³² France appears to have manoeuvred the subsequent negotiations to its advantage. France, which had followed a high protective barrier to safeguard its

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industry, apprehending difficulty in the proposed market, sought series of economic provisions against possible dislocation like common agricultural policy (much against German wish); special association agreements for its overseas possessions, mainly in West Africa, in return for the prospects of an expanded tariff free market for its industrial goods. In fact, all these demands were met. The French enthusiasm for an atomic community was counterbalanced with Germany's preference for an enlarged economic zone.

In the mean time certain other factors like the 'Suez Canal crisis' in 1956 necessitating the development of a common energy policy and Monnet's 'Action Committee for the United States of Europe,' founded on 13 October 1955 consisting of prominent trade union and political leaders, evolving favourable public opinion, made it easier for the government of 'the six' to come together in passing the significant Rome Treaty which created the European Community.

**The inception of the European Community: An experiment in Neo-functionalism**

The Heads of state/government of 'the six' meeting in Rome on 25 March 1957 signed the Treaty establishing European Community (EC) consisting of European Economic Community (EEC) and European Atomic Energy Authority (EURATOM) apart from the ECSC, all which started functioning from 1 January 1958 onwards.\(^{33}\)

Treaty of Rome aims at creation of an 'ever closer union among the people of Europe'. This union is sought to be achieved by the creation of a common market

\(^{33}\) From legal point of view these three communities are independent of each other, but from the political point of view they are rolled into one broad category called the European Community.
in a phased manner. Here 'European Union' is not explicitly meant to be an attempt in the construction of 'federal' Europe, indicative of the caution imposed by the failure of EDC. Instead, in line with the ECSC strategy objective appears to be the reconciliation between national autonomy and European federation in a gradual process.

In the Treaty rather than relinquishing the sovereignty concept, the member states are asked only to shun the dogma of its indivisibility for the common good. This lack of rigid conception of federal Europe and the strategy of uniting Europe - federal in goal, intergovernmental in method based on functional requirements - was flexible enough to appeal to a broad spectrum from 'inter-governmentalists' to 'federalists'.

This 'federal-functional' strategy initially developed by Monnet was perhaps the most pragmatic practical measure of uniting Europe at the time. Hence, on the Monnet inspired ECSC model, Treaty of Rome seems to provide a stable (economic) base on which political cooperation based on 'defacto solidarity' and 'concrete achievements' would gradually be built, leading to the creation of a European union.

On the ECSC pattern certain institutions deemed to be supranational entities were also created. One is the Assembly (later came to be known as European

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34 Lindberg and Scheingold argue that Monnet's "supranational compromise" was simply the politics of the possible as only few political parties, for different reasons, were prepared to vote for radical maximalist scheme. By and large Christian Democrats rejected the over-emphasis on nation-states and supported maximalist position, but as a part of Atlantic alliance; Socialists and to some extent Gaullists in France and SDP in Germany supported the idea of consolidation of Europe, not for abandoning nation-state and for economic integration, but as a "third-force" between the superpowers. See Leon N. Lindberg and Stuart A. Scheingold, *Europe's Would-Be Polity: Patterns of change in the European Community* (New Jersey: Prentice-Hall, 1970) pp.16-18
Parliament) and the other is the Commission. In addition, a Court of Justice, and Economic and Social Council were also envisaged. But in recognition of the national sensitivities, to balance federalist aspirations, as in ECSC, Council of Ministers was created which will make final decisions consequent upon 'dialogue' with the Commission. So at the institutional level too, national - supranational balance was maintained, although it was recognised that with the gradual development of the community and goodwill among the member states, community institutions would gain in power.

This construction of Europe is in line with the model strategy developed by Neo-functionalists who sought to overcome the inadequacies of functionalism in explaining the integration process. Functionalists, for instance Mitrany, argued that in a fast changing society, for efficiency in provision of welfare, administrative (functional) agency/institutions (primarily in 'non-political'/technical/non-controversial areas) could be created based on common needs across nations' structures to satisfy functional needs. The non-controversial areas tend to expand automatically at the expense of the political as practical cooperation become coterminous with the totality of interstate relations and the 'world community' begins to emerge. In this, sovereignty instead being surrendered will only be pooled up to the extent required for the joint performance of function. Thus for Mitrany, unlike Monnet, the creation of new international networks would merely change dimensions of nationalism, but not its nature.35

Against this, the Neo-functionalists argued that the process of integration beginning with an economic sector, depending on interest group involvement and incremental creation of 'defacto' solidarity, would lead, even by 'stealth', to further integration. Here integration takes place because of the 'expansive logic of integration', i.e. integration in one sector creates necessary preconditions (spill over effect) for integration in another sector (against the 'automaticity' of the functionalists). Without integration of the obstructing sector, the purpose of integrating the original sector will not be realised.

Second, integration would have to begin with attempts at technical harmonisation (such as coal production, removal of trade barriers or equalisation of food prices) instead of politically sensitive 'high' politics (such as defence, currency). This has added advantage of bringing new actors such as national bureaucracy and national and transnational interest groups into the integration process. Given their high stake in it they could be expected to put pressure on their national governments to proceed further with integration.

Third, this changes in the attitudes and loyalties of crucial elites of government, interest groups and political parties (Elite Socialization) takes place because of societal circumstances (like an industrialised economy, politically mobilised masses and pluralist democracies) and an expectation that their interest


See, Ernst Haas, Beyond the Nation-state; Functionalism and International Organization (Stanford: Stanford University Press, 1964); Ernst Haas, The Uniting of Europe; Political, Social and Economic Forces 1950-57 (Stanford: Stanford University Press, 1958); Joseph S.Nye, Peace in Parts; Integration and Conflict in Regional Organization (Boston: Little, 1971); James Patrik Sewell, Functionalism and World Politics (London: OUP, 1966); Lindberg and Scheingold, n.34; , Leon N. Lindberg and Stuart A. Scheingold, Regional Integration: Theory and Research (New Jersey; 1970)
can be best served by supranational action/level. This gives a political push to intergovernmental process ('cultivated spill over') leading to supranational decision-making system.

Fourth, unlike Mitrany, mass support is not viewed as a necessary "prerequisite" for integration although attitudinal changes is admitted to take place as a 'result' rather than 'cause' of integration. Fifth, hopes are pinned on the central community supranational institution like Commission which is expected to provide a lead in the step-by-step integration process by facilitating 'upgrading of common interest' (rather than merely settling at the intergovernmental 'minimum common denominator bargaining') and move the community towards supranational/federal Europe.

The design of the EC appears to broadly fit into the neo-functionalist framework. For instance, the Community without being explicit pursues a federal goal but is intergovernmentalist in method based on functional requirements. The Community institutions are expected to grow in power with the increased mutual benefit and goodwill among member states. The EC like neo-functionalists appears to view integration as an ad-hoc, step-by-step process characterised by the gradual movement depending on the expectation that a supranational integration/organisation would serve.

However, in its development the Community many a time did not corroborate the neo-functionalist hypothesis especially with nationalistic assertions. Nevertheless, neo-functionalism provides a useful tool in understanding the dynamics of EC and its progress as could be observed later.
"Europe of the States"

The creation of the EC itself was seen by many as a movement towards supra national/federal Europe.\(^{37}\) However, subsequent to the creation of the EC, contrary to expectations, there was no 'spill over' towards supra-nationalism: instead, the course was towards intergovernmentalism. This was largely due to de Gaulle who assumed power in France in early 1958. He exercised a major influence in the affairs of the EC and, to a large extent, succeeded during his tenure in shaping the EC in conformity with his perception of French national interest.

De Gaulle was of the view that Europe would become strong only when France plays a major role with its special vocation destined by historical necessity, which required freedom of action.\(^{38}\) Understandably de Gaulle, unlike Monnet, was opposed to the idea of supra-nationalism and had firm belief in the supremacy of the nation-state. Naturally he favoured alliances on co-operative intergovernmental pattern.

His conviction was further strengthened by certain developments in the international scenario: (1) poor showing of the US in the Korean war; (2) breaking up of the US monopoly on atomic weapons by the USSR and its increasing influence in the Third World: (3) Anglo-French diplomatic failure in the Suez crisis; (4) Lack of adequate support from the US to France in Dien Bien Phu; (5)

\(^{37}\) For instance, Walter Hallstein, first President of the EEC commission argued that, "Integration in the economic field is not merely a step in the way of political integration, it is already political (in) itself... The so called economic integration is essentially a political phenomenon" Walter Hallstein, Europe in the Making, Charles Rotter, trans., (London: George Allen and Unwin, 1972) pp.28-29.

refusal of the US and Britain to help France in North Africa; (6) 'special relationship' of the US and Britain through the renewed Atomic Energy Act of 1954; and (7) French involvement in Algerian crisis. These factors convinced de Gaulle that France had to rely on its own strength without binding itself to any organisation so as to have free action.

De Gaulle sought to realise his objectives through the creation of a European 'union of states' based on a co-operative intergovernmentalist pattern that would help France bind Germany close to Europe and; implicitly, give France a dominant position in Europe by avoiding any US-UK influence in Europe belittling French role.

In pursuance of his strategy de Gaulle made series of efforts such as institutionalisation of periodic consultation of 'the six' in June 1959; “Fouchet” plan first in 2 November 1961 and its revised version on 18 January 1962 for institutionalisation of cooperation in scientific and cultural fields and adoption of common foreign and defence policies.39

However de Gaulle could not succeed mainly because of the insistence of smaller countries, Belgians and Dutch in particular, who apprehensive of French or Franco-German domination, sought to counterbalance it by inclusion of Britain in the EC despite the known British aversion to supranationalism. But de Gaulle was bent on opposing British entry. In fact the Fouchet plan tacitly aimed at secluding Britain by specifying that for new admission to the EC, unanimity in the EC

Council would be required. In this clash of perceptions and lack of political will to effect EC's progress, EC became a victim.

From the point of failure of intergovernmentalist Fouchet plan to his resignation as President in the summer of 1969, de Gaulle obstructed the EC development in further three major ways; through opposition to enlargement; via the 'Luxembourg compromise' and by refusing to extend the powers of the community institutions.

His opposition to enlargement was basically directed against Britain's entry into the EC. Britain sought EC membership to have economic break through and greater say in European affairs at a time when it was facing domestic economic crisis and strained relationship with the US, EFTA and Commonwealth. But British participation in EC meant diluting French leadership role in Europe. Thus British application was viewed by de Gaulle as an Anglo-American conspiracy to disrupt his plan of uniting Europe and restore independence to it. Understandably, de Gaulle thwarted both the attempts of Britain to enter the EC, opposing it first in January 1963 and vetoing its second application of 11 May 1967. It was only after de Gaulle's exit in 1969, Britain could become a full member in 1973 along with Denmark and Ireland.

40 The British decision to purchase American rather than French nuclear weapons, disinclination to establish Anglo-French cooperation on nuclear technology and setting up of multilateral Nuclear Force was seen by de Gaulle as an attempt to build up FRG as a counter-weight to France also said have its impact on de Gaulle's tough posture against Britain. Chopra, n.12, p.199; Hans von der Groeben, The European Community: The Formative Years: The struggle to establish the common market and the political union (Luxembourg: Office of the official publication of the European Community, 1987) pp.131-33.

Another jolt to Community development was in the form of 'Luxembourg Compromise', accepted to placate the French. The French were opposed to the Commissions proposal to the Council in the European Parliament on 31 March 1965 suggesting certain measures that aimed at the Community financing of its agricultural policy; financing the Community with its own resources (collected by levies on agricultural imports and proceeds of common external tariffs) and an increase in the budgetary powers of the European parliament coinciding the creation of the customs union from 1 July 1967.42

The proposal meant more powers and independence to the Community institutions and a forward push to the Community integration. This was surely not what de Gaulle would have liked, for, he could never reconcile to the idea of French interests being guided at a supranational level by majority principle. Naturally de Gaulle opposed the proposal and the French pursued 'empty chair' policy (abstention from Council meeting).43

The crisis was resolved in 1966 by a 'Luxembourg compromise' which among other things, focussed on the unanimity principle in ECs' decision making.44

42 EEC Commission, Eight General Report on the Activities of the Community (1 April 1964 - 31 March 1965) Brussels, June 1965, pp.222, 334 - 38. The proposal has to be noted in the context of replacement of unanimity principle in the community decision making with the end of first 8 years of transitional period by majority principle set out in Article 148 of the Treaty of Rome. Though proposal was made in accordance with the Treaty obligation, Commission did not consult Council before proposing in European Parliament for not wanting to loose initiative because of premature controversial deliberations. Deviation from the normal route of letting Council know the proposal made France to view the act as one designed to belittle the role of Council.


44 Ninth General Report, ibid, pp.30-33
Though this informal agreement had no legal basis, its importance lies in the fact that henceforth decisions could not be made on any unwilling member by a majority voting principle in the Council. The Community was to operate on the intergovernmentalist pattern and to that extent Community institutions lacked power for any supranational move. This was in conformity with de Gaulle’s viewpoint that the Community was still a collective of sovereign units rather than an embryo of super state. The 'compromise' was in fact the indication of Gaullist success in resisting the supranational movement of the Community.

De Gaulle's actions not only affected the supranational development of the Community, but also even appeared to undermine the theoretical assumptions of the neo-functionalism. Intergovernmentalism was becoming a dominant approach in the understanding of EC with hopes of supranationalism receding. The crisis of 1960's corresponded closely to what Lindberg-Scheingold refer to as 'spill-back' model where scope of Community action and institutional capacities decrease.45

The Gaullist setback to neo-funtionalism reinstated the state-centric 'realist' doctrine as the dominant paradigm of the regional process.46 For example, Stanley Hoffman's thesis that neo-functionalism missed entirely those enduring political dynamics of competing national interests that had shaped the continents' destiny

45 Lindberg and Scheingold, n.34, p.137.
46 To realists, integration was a limited arrangement and 'realities' of nationhood and the interests associated were the driving forces of regional process. For instance, Milward argued that 'integration' merely represented the adoptive response of Europe's medium sized and modestly resourced states as they faced daunting global pressures beyond their immediate control. In this challenging circumstances they were required to cooperate with similarly positioned states rather than compete in order to pursue and maximise their interests with in the new international order. This was a way of saving rather than surrendering the nation-state. So the modest form of regional integration confined clearly to demarcated areas were deemed by these 'realists' to be intrusive of sovereignty only in a nominal sense. See Alan Milward, The Reconstruction of Western Europe 1945-51 (London: Methuen, 1983); Alan Milward,
for half a millennium or more appeared closer to reality. To Hoffman, European political history replete with perpetual differences that rooted in all pervasive cultural identities, domestic determinants, geo-historical situations, linguistic differences and outside aims limit the extent of cooperation and colour its preferences, even between otherwise close regional allies.  

Second, in areas of high politics, despite a supranational mediator, "common interests are so much harder to discover and upgrade," unlike low politics where goods could be quantified and cost and benefits could be measured precisely. Third, the very nature of high politics as "composed of discrete issues, among which there may be discontinuity" would make the operation of the spill over difficult, not only from area of low politics to high politics but within these areas where politics as usual prevails. It appeared that neo-functionalism overlooked this possibility.

Remodifications were affected by neo-functionalists, prominently by Ernst Haas (largely prompted by de Gaulle phenomenon) to his theory by adding the role of 'dramatic-political' actors capable of diverting incremental or a pre-dedicated course of integration.  

'Spill over' effect is redefined in which the effect first takes place in 'economic' or 'technical' issues and its extent of impact on politics (supranationalism) will depend on the state of relations in 'high' political spheres.

In other words there is an acceptance of the limitations of group activity and 'Elite Socialisation', and admittance of the importance of the role of national

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The European Rescue of the Nation-state (London: Routledge, 1992). The reluctance to establish any supranational institutions immediately after second world war was used by realists to build their case.

(political) leadership and national sensitivities by the neo-functionalists. These modifications have become extremely important in the understanding of the evolution of the EC, for, intergovernmentalism in the context is treated not as a retrograde development but implied to be a necessary condition for consensus for further 'spill over' to next stages.

Despite the national assertions and focus on intergovernmentalism it has to be admitted that in 1960's informal linkages across the EC began to develop and certain important economic and policy decisions having potentialities to promote the common market were adopted. For instance, Common Agricultural Policy (CAP) began to operate from January 1962 with the mechanism of fixed prices and product guarantees as its base, indicating that common approach could be evolved and Community's competence could be extended, reflecting the expansive logic of integrationists. Further, ahead of schedule the customs union was completed on 1 July 1968 abolishing intra community duties and establishing a common external tariff.

*Communautaire Europe*

De Gaulle attitude towards sovereignty left a permanent mark on the successive French Presidents. But de Gaulle's successor, George Pompidou, though no less a French nationalist, at least believed that the EC is vital for the revival of French economy. With election of Willy Brandt as West German Chancellor in October 1969 and Edward Heath as British Prime Minister in June 1970, the 'Community' spirit was back among the political elites of Europe.

48 For discussion on the role of "dramatic-political" actors see the preface of 1968 edition of the book.
This communitarian spirit put the EC on the neo-functionalist road of building union on "concrete achievements which first create defacto solidarity'. On one hand it facilitated the admission of new members to the Community, i.e. the UK, Ireland and Denmark in 1974; on the other, it was manifest in Pompidou's initiative to launch "European Political Cooperation' (EPC) though conceptually it differed little from de Gaulle's concept of 'organised cooperation of the states'. This is clear from the pattern of EPC evolved subsequently at the Hague Summit conference (1-2 December 1969); Davignon Committee Report (1970); Paris Summit meeting (19-20 October 1972) and Copenhagen foreign ministers report and summit meeting (1973) and Paris Summit meeting (1974).

In EPC it was provided for periodic meeting of foreign ministers, experts of different working groups and political committee consisting of senior officials of the foreign ministry and involvement of COREPER - the members' permanent diplomatic corps in Brussels - to make Europe 'capable of speaking with one voice' in matters of general foreign policy problems, monetary affairs, energy, security etc., without recourse to supranationalism.49

The impetus for such initiative could broadly be summed up as:

(1) Desire of new French government (Pompidou) to restore relations with the other members of the EC;

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(2) Awareness of the FRG's growing economic and political strength and willingness to open negotiations with Britain to provide a guarantee against undue German influence in the EC.

(3) Uneasiness about the policy of 'ostpolitik' of the new Federal Chancellor, Willy Brand and seek to balance it with westpolitik;

(4) Brand's eagerness to ally suspicion of the other member states regarding his ostpolitik;

(5) Opportunity for Benelux countries to push the case for Britain's entry in to the EC;

(6) Increasing influence of the third world countries in the international system, which unless managed, was capable of affecting adversely the overseas interests of some member states of the EC.

(7) US President Nixon's suspension of the convertibility of the dollar into gold; and Nixon's initiative of August 1971 which called for redefinition of the US-European relations etc., making the EC members to foresee the advantage of having a common policy towards third countries;

(8) The need to take common approach towards forthcoming preliminary round of negotiations at Helsinki during the Conference on Security and Cooperation in Europe (CSCE), opening round of talks on Mutual Balanced Force Reduction (MBFR) at Vienna and the second round of Strategic Arms Reduction Talks (SALT-II) in Geneva.

EPC was formed not as an institution of the EC and it had no legal basis. The creation of intergovernmental EPC outside the EC framework appeared to run counter to the spirit of the EC. The EPC approximately represented what de Gaulle had in mind except in one important sense, i.e. France was not the only spokesperson of European interests.

Naturally this pattern of cooperation appealed to the defenders of national sovereignty who identified the EPC as not matching with the supranational EC. This EPC largely confirmed intergovernmentalism of the late 1960's refashioned in a distinctive confederal mould. But as later events in Europe showed, intergovernmentalist EPC created foundation for 'real solidarity' that later were to form the base for further integration in EC since it provided a platform for increased interaction to realise the same objective which EC stood for and contributed to increased elite socialisation and upgrading common interests at the institutional level. The supranational issues that divided the Community in 1960's now became the focus for consensus apparently through intergovernmentalism. Intergovernmentalism promoted bargaining/cooperation gradually providing a ground for 'spill over' to further (supranational) integration.

For instance, in December 1974, the European Summit was transformed into the European Council, making it the highest authority in EPC like EC, thus facilitating overall cohesion of EC and EPC activities by bringing them under one roof of European Council. It also reflected the desire to march towards the European Union as expressed at the Paris summit of October 1972. A voluntary platform like EPC provided an interaction and enhanced communication flow network. Therefore, it was a long-term investment designed to enable attitudes to converge.

Hence, despite a seemingly intergovernmentalist construction, the European Council provided the Community with a mechanism for enhanced decision-making and facilitated deepening of supranational process. Neo-functionalist assumptions
thus appeared to hold good in the early 1970's; spill over was evident not in the classical economic sense but rather politically through the process of enlargement and institution building. It was the *Communautaire* idea that was spreading rather than sectoral economic functionalism. This idea facilitated number of developments in the EC.

First, in order to increase the democratic content, the competence of the European Parliament were sought to be extended; and the Paris European Council meeting of 1974 in order to legitimise the European Parliament's action endorsed the principle of direct elections which were held first on 7-10 June 1979.

Second, in 1981 Greece was admitted to the EC, beginning the important process of Southern enlargement. Third, externally Lome I (1975) and Lome II (1979) convention on Commercial and Cooperation and Trade between the Community and African, Caribbean and Pacific (ACP) countries were signed replacing Yaoundé agreements of 1963 and 1971 in view of 1973 enlargement and Britain's existing commonwealth relationships. Fourth, preferential trade agreements with EFTA in 1973 and international trade agreements with a number of Mediterranean countries were signed during 1976-77.

Fifth, the external economic activity was matched internally by the Community's attempt to establish a European Monetary System (EMS). The system was launched in 1978 largely due to Franco-German commitment with two major objectives; to create a European Zone of monetary stability and to encourage convergence in national economic policies to promote internal Community
stability. EMS created a European Currency Unit (ECU) whose value was based on a basket of national currencies and established exchange rate, credit and intervention mechanisms.

However, the hopes raised by these incremental changes began to wean away towards the end of 1970's, in particular, after the election of Mrs. Margaret Thatcher as British Prime Minister in May 1979. Gaullist tradition of national sovereignty began to be reverted by Mrs. Thatcher but with stress on relationship with the US. Her idea of Europe she made clear in her speech at the college of Europe at Bruges; "Let Europe be a family of nations, understanding each other better, appreciating each other more, doing more together, but relishing our national identity no less than our common European endeavour."51

Bent on opposing any control from 'Brussels' on aspects relating to British Sovereignty, Mrs. Thatcher's major grievance was that Britain was receiving rather disproportionately from the Community compared to what it contributes. Her first target was CAP provision. The persistent pressures secured Britain some concessions, significantly at June 1984 Fontainbleau European Council meeting to the dislike of others, in particular France.


With 'British problem' and nationalistic aspirations surfacing in the Community despite the best efforts of Jacques Delors, President of European Commission to the contrary, the EC began to be confronted externally by the challenges of contemporary international relations - the Iranian hostage crisis, the Soviet invasion of Afghanistan, the introduction of Martial law in Poland and the Falkland war.

It was somewhat remarkable that given the disunity within the Community that as an international actor the EC was able to sustain its collective policy of EPC despite all odds. But what appears to be significant in this context is that while no consensus could be reached on further integration of the EC among the member states, the crisis (external factors) provided an incentive for a 'communitarian' Europe, nullifying the underlying difficulties of achieving and implementing a collective foreign policy. EPC, though a non-legal body, was evolving as a legitimate platform of harmonising various interests of different nations enabling them speak with 'one voice'.

In this contradictory situation of conflict and cooperation, the EC appeared to move in two-speed Europe - one for the states favouring deeper integration; the other for those tied to intergovernmentalism - as some have argued the most likely and preferable alternative. And in this background of EC reform debate - bone of contention between intergovernmentalists and federalists - the situation culminating in adoption of Single European Act deserves closer attention.

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The Second Relaunch of Europe

The structural problem of the EC and inadequacy of the Rome Treaty prompted the reform debate in the seventies and eighties among the member-states with varying intensity. Though the EC helped the member-states in promoting their own economies, its working by and large came to face new challenges. The gravity of the challenges was such that individually neither the member-states nor the EC operating on the unanimity principle could tackle them.

With challenges mainly emanating from the US dominance in technological field, Japanese entry into the competition with their supremacy in microelectronics as well as the increasing competition from the Newly Industrialising Countries (NICs) of the Third World compounded the existing problems of unemployment and stagflation, particularly after the oil crises of 1973 and 1978-79, affecting both profit and investment and also growth sectors like steel, automobiles and shipping etc. where 'national' industrial strategies were long pursued.53

The wide spread concern over 'ungovernability' caused by a pervasive loss of self-confidence was followed by 'Eurosclerosis' as a Europe-wide fear. Legitimacy of states threatened not by transfer of power to the EC but due to the emerging socio-economic realities against which European states had little of defence. The combination of slow growth, high unemployment and huge deficits in

social budgets alarmingly began to threaten the commitments of welfare states and it was a potential crisis for the nation-state as such.

The introspection broadly attributed European tardiness to the lack of Europe-wide competition and harmonisation due to the fragmentation of the Community's economies, mainly by the imposition of non-tariff barriers such as standardisation and national specifications etc. In view of these developments there was an increasing realisation that failure to bring about necessary changes in the EC would not only lead to economic and technological stagnation, but also would affect the Community's influence in the world.

This required united action in the EC, which in turn required strengthening of the decision-making process, especially in view of the ECs expansion to include twelve members and increasing legitimacy (overcoming 'democratic deficit') by increasing the European Parliament's power whose significance had already gone up due to Community's financing from its own resource since 1970s and by direct election.

The remedy for the present impasse and further decline of the EC's economic power was thus envisaged to be the creation of European union with an internal common market. The idea began to take shape in Tindemans Report (1975), Genscher-Colombo initiative (1981) and Solemn declaration (1983) Alterio

54 It has been argued that already government's nationalist commitments began to falter during the 1970s, even in Britain: to give way in the 1980s to deregulation and/or collaboration, through strategic alliances, even mergers. Industrial 'sponsorship' shifted from the national to the European plane, with governmental and company support for the plethora of initiative which began with the 'Esprit' programme and developed with 'Eureka', FAST, JESSI and others. This shift of industrial and technological imperatives have become a key factor in 'revival' of European integration in the 1980s. William Wallace, "Rescue or Retreat? The Nation State in Western Europe" Political Studies (Oxford) vol.42, spl. issue, 1994 p.66; Margaret Sharp, "Technology and the Dynamics of integration." In William Wallace, ed., The Dynamics of European Integration (London: Pinter, 1990), pp.50-68.
Spinelli inspired 'Draft Treaty' (1984) and subsequent 'Dooge Committee' and 'Adonnino Committee' (1984).\(^{55}\)

In particular the Dooge Committee which was set up at the Fontainbleau European Council meeting of 1984 to investigate institutional reform and related matters in its report to the Brussels European Council of March 1985, apart from others, proposed for an intergovernmental conference to undertake projects relating to European union. While this found favour with the six founding members of the EC and Ireland, it was opposed by Britain. At the Milan summit of June 1985 too, Britain along with Denmark and Greece argued that the Dooge Committee's proposal represented an extreme form of integration.\(^{56}\)

These highlight the clash of perceptions in the reform debate between the federalist aspiration reflected in Tindeman Report, Draft Treaty etc., which wanted to create a European union with substantial power to Community institutions (maximalists) and some governments wanting to guard 'national prerogatives' favouring status quo/intergovernmentalism (minimalists).

Subsequently the compromise was reached and it resulted in the adoption of a legal framework, commonly known as the 'Single European Act,'


\(^{56}\) Bulletin of the European Communities (Luxembourg), vol.18, no.6, 1985, p.13; David Judge, "The British Government, European Union and EC Institutional Reforms", The Political Quarterly (London)
which amended certain parts of the Treaty of Rome, on 2-4 December 1985 at Luxembourg Council meeting, coinciding with joining of Spain and Portugal in 1986 to become the Community of twelve. The Single European Act came into effect from 1 July 1987 following Ireland's ratification, last member to ratify.

**Single European Act (SEA) and the '1992'**

SEA was a product of European fear of losing edge to international competition and convergence of national economies gradually over the years. The problems confronting the modern society and economy were such that they could not be tackled effectively at the national level individually, prompting the EC countries to come together in overcoming their common problems. But emerging from the reform debate, SEA represented a compromise in which governments sought to maintain as much autonomy as possible, at the same time agreeing to a new package of rules under what seemed to them powerful economic and political imperatives.

The SEA being first formal amendment to the EC Constitution was to have its impact on four distinct areas of Community activities;

1. Under title I, the EPC was brought under the framework of the EC making the EPC a Community organ and making it obligatory to meet at least twice a year. This is important since a platform for harmonisation of interests of European countries was now provided within the EC framework.

2. It provided for the substitution of unanimity principle by 'qualified majority' in most parts while reaching decisions. Particularly, this was a significant step in view of the past experience, which led to deadlock often in the
decision-making structure afflicted by the informal 'Luxembourg compromise' of 1966.

(3) It established a co-decision procedure with parliament. Under the SEA Parliament's decisions could be rejected only by the unanimous agreement in the Council thus increasing the legitimacy of Parliament at least partially.

(4) The important provision relating to the common market provides that, 'the Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992.' and such 'internal market would comprise an area without internal frontiers in which free movement of goods, persons, services and capital is assured'.

This provision with regard to internal market was in effect a legitimisation of the European Commission's 'white paper' submitted to the Milan European Council in June 1985 proposing the removal of physical (like frontier checks on individual and goods); technical (like divergent business laws, product standards and nationally protected public procurement markets); and fiscal (like differing value-added tax and excise duties) barriers, between member states for completion of internal market.

By converging disparate national economic interests by creation of a common market with a deadline and increasing the powers and legitimacy of the Community institutions, SEA undoubtedly provided major step towards European Union. But SEA in itself did not constitute the final construction of European Union nor was sufficient to that effect. In fact in SEA there is very little meaningful


58 Commission of the European Communities, Completing the Internal Market, Com (85), 310 (Brussels). 14 June 1985.
transfer of power/sovereignty to the Community and ultimate power rested with the Council especially when it acted unanimously.

But the real significance of SEA lies in the fact that by providing for time-bound common market it changed the dimensions of European productivity by shifting its focus from protected national environment to Europe-wide competition. The complex informal networking already under way across Europe was now formalised leading to increase in efficiency by Europe-wide associations, mergers, acquisitions and take-overs etc. The national enterprises were now encouraged to become 'European' multinationals.

Thus SEA, although is an intergovernmentalism decision, its outcome was seen as a way towards evolving supranational Europe and the forces unleashed by '1992' could only be dealt at supranational level --a development well in accordance with neo-functionalist hypothesis.

With the removal of barriers to free movement, the 'negative integration' had been realised. This was necessary but not sufficient condition for integration. The progressive removal of these barriers impaired the management capabilities of the governments and demanded an economic and monetary union.

In other words 'positive integration' by way of harmonisation of economic policies became indispensable for beneficial reaping of economic outputs. This is because '1992' programme had important spill over effect on monetary and social areas apart from directing EC's future legislative process with demand for more power by institutions like European Parliament. Naturally SEA had become a catalyst for changes in Europe.
Towards ‘European Union’

It was the conditions and challenges of late 1980's and early 1990's that made EC to take up certain initiatives. First, the dynamic effects of '1992' facilitating increasing mergers, acquisitions and take-overs and Europe-wide competition and production led to the realisation that a common currency was necessary for the single market to work effectively. With demand for extending the scope of existing EMS to achieve full European Monetary Union (EMU), the initiatives of France and Germany resulted in adoption of the broad substance of 'Delors Report' that suggested creation of EMU in three stages and for convening an IGC to this effect. Second, the European parliament whose influence was already extended over EC activities by SEA, now began to press for more power including co-decision power in order to overcome 'democrat deficit' in the single market and also for EMU.

Third, there was a realisation that economic and social objectives will be incomplete and vulnerable without a common foreign and security dimension. This impulse was reinforced by the Gulf crisis and later by former Yugoslavian situation which exposed fundamental philosophical differences between the member states demonstrating the inadequacies of the present mechanisms like EPC to deal with the challenges of the 1990's and the need to move towards common foreign and security policy, requiring a review of EC's constitutional base.

Fourth, the revolutionary movements in Central and Eastern Europe in late 1980's and early 1990's had a decisive impact on the EC with many new eastern
democracies looking towards EC as a source of hope and support in their
endeavour and their possible inclusion in the EC. Their inclusion, with their
economic and political track-record, was meant to be qualitatively different from
earlier enlargement process of EC. This, coupled with applications of EFTA
countries via European Economic Area (EEA) to join the EC put additional
pressure for reform since a potential enlarged EC could not function effectively in
the present institutional framework.

Fifth, with the fall of Berlin wall on 9 November 1989 and the subsequent
reunification process, the 'German problem'- fear of an assertive, domineering
Germany- became a major concern on the European agenda. It was felt that strong,
unified Germany needed to be anchored irrevocably in an equally strong EC
framework. Especially France considered EMU as a necessary means of
constraining the dominance of Deutch Mark and German Bundesbank.

Against this background two Inter-Governmental Conferences (IGC's); one
on EMU and other under broad heading 'political union' was formally opened on
15 December 1990. These were mainly the products of Franco-German initiatives
and Commission under President Delors backed by Italy and Benelux countries.
Spain, Greece and Ireland were also supportive provided that their particular
economic problems would be counter balanced by special aid programmes.
Against this favoured deeper integration on supranational lines, only UK and to
some extent Denmark were not interested in the proposals for EMU and Political
union and continued to stress on intergovernmentalism.
This divergence of perspectives was reflected in the IGCs and the intricate negotiation spread across 12 months was put to an end with Dutch draft treaty in the line of earlier Luxembourg draft (except without being explicit on word federal), forming the basis for the text finally agreed at Maastricht.\textsuperscript{60}

The Maastricht Treaty on European Union (TEU) agreed by the European Council meeting on 9-11 December 1991 and signed by member-states on 7 February 1992 is based on three pillar structures: the communitarian first pillar effects amendments to the existing EC treaties such as EEC, Euratom and ECSE; the second pillar comprises foreign and security policy, based on intergovernmental cooperation, but with Commission associated and the European Parliament consulted; Justice and Home Affairs (JHA) constitutes the third pillar, operating through cooperation, but with institutions having no real power of decision-making in this areas.\textsuperscript{61}

At the outset, the treaty seeks to establish a "European union", but owing to the British opposition for reference to 'federal goal' in the Treaty as suggested by Germany, the treaty mentions 'a new stage in the process of creating an ever closer union' (Article A) which is open to a more expansive interpretation since it conceives the union as a process and not in a static manner.

The treaty introduces novel concepts like 'subsidiarity', 'Union citizenship' apart from reinforcing existing areas (agriculture, transport, competition etc.) and introducing new policy areas (development, cooperation, public health, consumer

\begin{footnotesize}
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\item \textsuperscript{60} Delors, to study concrete steps necessary for creation of EMU.
\item \textsuperscript{60} See, Holland, n.52, pp.73-82
\item \textsuperscript{61} Treaty on European Union (Luxembourg, 1992)
\end{itemize}
\end{footnotesize}
protection, trans-European networks) to the competence of the EC. Only in social policy no changes were effected owing to British opposition. But in special protocol attached to the treaty eleven member-states agreed for implementation of 1989 social charter and in an unprecedented way exempted UK from its application. In an attempt to overcome 'democratic deficit', Parliament is given co-decision rights with Council on certain areas and veto power linked to the single market.

The most remarkable aspect of the treaty is the agreement in the first pillar on EMU that is to take place in three stages. First stage acknowledged as already being under way since 1990; second stage was to begin from 1 January 1994 in which a new European Monetary Institute (EMI) co-ordinates member-states' monetary policies. If majority have attained a 'convergence' criterion (such as low inflation, low long term interest rate, budget deficit not more than 3 percent of GDP, public debt ratio of not more than 60 percent of GDP and 2 years stability within ERM), 1996 IGC would decide on stage III, namely to adopt a single currency and a single European (Central) Bank.

If no majority is found, monetary union will come in to effect automatically on 1 January 1999 among those countries, which have reached convergence criterion. Under a protocol to the Treaty, Britain reserved the right to opt out of Stage III even if it meets the economic performance criteria. In another protocol, Denmark reserved the right to hold a referendum on the matter as required by its constitution.
On the second pillar concerning Common Foreign and Security Policy (CFSP), Treaty goes beyond the SEA since it specifies that member-states "shall define and implement" a CFSP through "systematic cooperation" between member states. Although Commission is associated, CFSP operates outside supranational structures of the EC. The policy was to be defined by the European Council and implemented through the Council of Ministers, thus underlying its intergovernmental character.

The third pillar is cooperation in JHA, which includes asylum, immigration, police and judicial cooperation in civil and criminal matters. The already existing cooperation (Schengen agreement) in this field is now given a treaty base, mainly due to German pressure which was absorbing a flood of migrants, particularly since its reunification. Like CFSP, this policy area is based on common position and joint action outside the EC framework, although operating through its institutional framework.

The treaty, agreed to be implemented after ratification by member states in accordance with their national constitutional requirements, again appeared to be a compromise between deeper integrationists and intergovernmentalists since CFSP and JHA remained outside communitarian structures of the EC. But on single market it goes beyond the scope of SEA and attempt to shape the forces unleashed by the '1992' effects. On institutional matters the powers of the European Parliament are extended; while the Commission, although more answerable to

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62 Schengen agreement was first signed in 1985 at Schengen (Luxembourg) by FRG, France and Benelux countries for abolition of checks at their common borders. On 19 June 1990 again at Schengen a convention on the practical application of the 1985 agreement outside EC framework was signed and an Executive committee was set up. Subsequently all EC members, except Britain and Ireland joined.
parliament, has become more independent from national governments. Yet, the supplanting of national prerogatives by the EU appears to be minimal.

Nevertheless, the focus of the treaty is on strengthening community elements and on building closer community of shared interests. Although treaty is not a declaration of intent to see united Europe, by defining time table for the integration process the treaty had an in-built element of 'irreversibility' despite the British reserving right to opt out of implicit social chapter of the treaty and move towards single currency.

The ratification procedures witnessed intense debates in some countries especially in Denmark, Ireland, UK, France and Germany. But with the Danish approval in the second referendum on 18 May 1993 (first referendum of 2 June 1992 went against the TEU) the treaty finally came into force on 1 November 1993. This also paved way for negotiations with Sweden, Finland, Austria and Norway for EC membership which later with the exception of Norway became the EC members from 1 January 1995 onwards raising the number of EC members to fifteen.

Towards “Citizens Europe”

Along with expanded membership and increasing number of applicants, the EC, now known as European Union (EU) as per TEU, had to deal realistically with number of other emerging issues; First, the institutional structures of the union had to be made more efficient in view of enlargement of the union. Second, while the internal economic liberalisation was set in motion with considerable progress towards EMU, its impact on societal relations had to be
considered ensuring human face to economic integration. Therefore, bringing the
union closer to the people by addressing societal problems and concerns was the
need of the hour.

Third, increasing pace of globalisation was seen affecting Europe’s
relationship with rest of the world. So a concerted action to protect EU’s interest
was seen necessary. Fourth, with increasing number of global conflicts and
challenges, the weak or divided European response was bound to affect the overall
European position and states. Therefore, closer operation in foreign and security
matters was urgently required. Fifth, with EU’s standard of life and increasing
conflictual situation outside Europe, the flood of immigrants to Europe had
increased. Urgent measures were therefore required to deal with issues like
immigration, asylum, border control etc.

To deal with the emerging situation an IGC was convened in accordance
with Article N agreed after Maastricht Treaty Negotiations completed. The IGC
opened on 29th March 1996 in Turin came to an end in Amsterdam on 17th June
1997 with an adoption of a treaty. This Treaty of Amsterdam (TA) aimed at
strengthening the foundations of EU by addressing social needs and Europe’s
concern in the emerging global situation. The treaty has four main objectives -

1. To place employment and citizens right at the heart of the union: The inclusion
   of a chapter on employment in the Treaty seeks to promote high level of
   employment by a co-ordinated strategy by member countries, complimented by the
   EU institutions. With UK deciding to join the social protocol incorporated into the
   TEU, the protocol was now incorporated into the TA’s provision on social policy,
education, training and youth, thus helping to create a single legal framework for social issues. For instance, the community under Article 118 supports and compliments member states’ activities in the area of improving labour conditions and ensuring equality (opportunities and treatment) between men and women at work. Significantly, the treaty added the principle of non-discrimination (for e.g., racial discrimination) and greater equality between men and women at work. Apart from referring to equal pay and idea of positive discrimination, the treaty also recognises the importance of human rights, fundamental freedom and the rule of law.

In many areas of Social policy legislation is adopted in co-decision with parliament and council votes by qualified majority although in five important areas council decides by unanimous vote and parliament merely consulted. That is—social security, protection of workers where their employment contract is terminated, defence of the interest of the workers and employers, conditions of employment for emigrants, financial contributions for employment.

2. To remove obstacles to freedom of movement and strengthen security: This is achieved by incorporating Schengen structure into Unions single institutional framework. This avoided the contradictions arising from having two systems and allowed for identification of those problems that deserved “Closer cooperation” between member states. By this arrangement reluctant members - UK and Ireland - could take part in overall structure while still maintaining controls on entry.

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63 European Union, Treaty of Amsterdam (Luxembourg, 1997)
In addition, large part of cooperation in areas of justice and home affairs is also brought into the community legal structure such as visa policy, terms for issuing residence permits to immigrants, asylum procedures and rules governing judicial cooperation in civil matters. To provide high level safety to citizens within an “area of freedom, security and justice”, development of common action among member countries in the fields of police and judicial cooperation in criminal matters and prevention and combating racism and xenophobia is envisaged (Article K1). The focus here is on prevention and combating crime, terrorism, trafficking in persons and offences against children, illicit drug and arms trafficking, corruption and fraud through closer cooperation at different levels among member countries. However, cooperation - either direct or through Europol - between the police and other authorities responsible for criminal matters will remain an intergovernmental matter.

3. To give Europe a strong voice in world affairs: Realising the inability to influence international events and the limitations of TEU, the TA brings in some innovative decision making methods. For instance, the council decides on common strategies normally by unanimity. Reluctant members may here choose to abstain and can decide whether or not to participate in action decided by others. If a member state decides to oppose a decision on grounds of national interest, the foreign ministers council by qualified majority refer the matter to the European council which decides on unanimous vote.

Further, to give CFSP visibility and coherence, President of the council will represent the union and will be assisted in the task by a Secretary - General who will act as the Union’s high representative in CFSP. The commission will be fully associated with
this process. In addition, a new policy planning and early warning unit consisting of specialists from member countries, the council, the commission and from WEU is envisaged to monitor international development, their possible implications for the union and potential courses of action. However, in a closer look at the treaty the number of cases decided by majority appears to be limited and no agreement is reached on incorporating WEU into the EU. This means European defence structure is yet to be agreed upon and in the treaty strength of ‘national’ concerns over ‘European’ is implicitly recognised.

4. Strengthening Union’s institutional structure: The Treaty increases considerably the European Parliament’s responsibilities by making “co-decision” (with the council) procedure more or less general rule. The “cooperation” procedure (Parliament’s right to amend council’s draft legislation) operates within the confines of economic and monetary union. The “assent” procedure (power to withhold assent to council decisions) will be required in cases such as penalties by the council on members for persistent violations of fundamental rights, union membership applications, certain major international agreements and introduction of a uniform electoral system for members of European parliament. European parliament’s endorsement is made necessary for appointment as President of the commission after being nominated by Heads of state or government. To offset enlarged EU’s expanded parliament becoming unmanageable, the treaty limits the number of Members of European Parliament (MEP) to 700.

Further, the Treaty attempts to involve national parliaments in union affairs by delaying for six weeks the placement on Council’s agenda the commission’s legislative proposals to Parliament and the Council. This enables national parliaments to hold a debate with their respective governments on the issue. In a separate section (Title VI a, Article K.15) Treaty also provides for ‘closer
cooperation” among some member states without detriment to the overall community interest.

In effect the treaty shifts some of the works hither to done under third pillar of the TEU to the first such as issues concerning borders, immigration and judicial cooperation on civil matters. In criminal matters, the police, the governments and civil service will continue to cooperate among themselves, but with a more legally binding and effective system. This is a logical link since free movement of people is already incorporated in the first pillar. In transfer of these areas to the community sphere, only for first five years the unanimity principle in the council will be applied and subsequently community procedures and qualified majority will take effect leading to more and quicker decisions.

However, TA fails to evolve integrated Europe or give a CFSP a strong ‘community’ base that would have given EU a standing in the international sphere. This is partly due to the divergent historical linkages that European states developed overtime with outside Europe and the varying perceptions evolved. Therefore, the TA appears to be a compromise between compelling forces of European unity and national prerogatives. While internally co-ordinated approach is adapted to European issues like single market and EMU, same spirit was missing on the part of some countries on issues touching national sensitivities especially in foreign and security matters.

**Future of Europe Debate**

The steady increase in the responsibilities of EU and the EU’s salience in global affairs necessitated a re-look into the nature of EU and its institutions.
Already the negotiations for EU accession have begun with twelve countries (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia). The TEU, the Copenhagen European Council (1993), Madrid European Council (1995), Helsinki European Council (1999) had successively stressed on *acquis communautaire* (established community political and economic principles – democracy, rule of law, human rights, protection of minorities, market economy, adherence to the aims of political, economic and monetary union) and its incorporation in the national structures as a pre-requisite for accession to the EU. But without suitable reforms, elites in EU apprehended a real danger of institutional stagnation and EU’s ineffectiveness, especially in the decision making process (with number of members states raising to unwieldy twenty-seven) as well as further complications in the balance and relationship between national and European structures, and difficulties in internalization of EU by EU citizens.

To tide over, the European Council at Nice (7-9 December 2000) decided to engage in broader and more detailed analysis of the future of EU with a view to make it more democratic, efficient and transparent. The Treaty of Nice (TN), finalized at the end of 2000 and signed on 26 February 2001, aimed to consolidate the gains and values of the Union by making necessary changes to the existing treaties while giving a serious thought to the future of EU. For instance, the TA enabled Council to penalize a member state (by suspending certain rights deriving from the treaty including voting rights) for a serious and persistent violation of fundamental rights, but contained no mechanism for preventing such violations.
The TN filled the gap by enabling Council to issue appropriate recommendation to the member state when four-fifths of its member apprehend that a clear danger exist of concerned member state committing a serious breach of fundamental rights or freedoms on which the Union is founded. 64

Considering the likely expansion of the EU to include 27 members, the TN inter alia, at the institutional level, limited number of Members of European Parliament to a maximum of 732 (to be effected from 2004 elections when candidate countries were likely to become full members); altered the weightage of votes in the Council (to be implemented from 1 January 2005) which add up to 345 votes for 27 countries (as against 87 votes for 15 countries) and number of required votes for adoption of an act; and restricted the number of Commissioners to 27 (with effect from 2005). 65 Changes were also effected to the powers and functions of other EU institutions (Court of Justice, Court of Auditors etc.).

Significantly, having prepared the institutional framework for enlargement, the “Declaration on the future of the Union”, annexed to the final act of the TN looked beyond Nice and called for a deeper and wider debate on the future of the EU. It proposed that in 2001, the Swedish and Belgian Presidencies, in cooperation with the Commission and involving the European Parliament, would encourage wide-ranging discussions with all interested parties: representatives of national parliament and all those reflecting public opinion, namely, political, economic and

65 Ibid., Protocol on the enlargement of the European Union, Articles, 1-4, and No. 20, Declaration on the enlargement of the European Union, pp. 52-55, 83-85
university circles, representatives of civil society etc. The candidate states were to be associated with this process in ways to be defined.

The TN stressed that the European Council meeting in 2001 would agree on declaration containing appropriate initiatives for the continuation of the debate process. After these preparatory steps, a new conference of the representatives of the governments of the member states was to be convened in 2004 to consider and effect suitable changes to the treaties. For debate, the TN, *interalia* set that out the following items:

- How to establish and monitor a more precise delimitation of powers between European Union and member states, reflecting the principle of subsidiarity.
- The status of the charter of Fundamental Rights of the European Union proclaimed in Nice.
- Simplification of the treaties with a view to make them clearer and better understood without changing their meaning.
- The role of national parliaments in the European architecture.  

The TN opened for ratification was accepted by most members states according to their national procedures except Ireland, which in a referendum of 7 June 2001 had majority of ‘No’ votes. The Council subsequently adopted a declaration on 11 June 2001 in which ministers expressed their readiness to contribute in every possible way to help the Irish government to find a way forward, taking into account the concerns reflected by the referendum, but without reopening the text of the TN.  

Meanwhile, the public debate on the future of Europe which was officially opened in Brussels on 7 March 2002 was conducted through discussion

66 Ibid., No. 23, Declaration on the future of the Union, p. 88-89
meetings and the internet (http://europa.eu.int/futurum/) with Swedish and Belgian Presidencies facilitating the process.

As a follow-up, accepting that the Union stands at cross-roads, a defining moment in its nearly fifty years of existence, and the Union needs different approach in changed atmosphere, the European Council meeting at Laeken on 14 and 15 December 2001 adopted a declaration. This ‘Laeken Declaration’ addressed the issue of democratic challenge and bringing European institutions closer to its citizens; Europe’s new (value based) role in a globalized world; European citizens expectation of handling troubled spots in a coordinated way; and ‘good governance’ yielding positive development and social results. Hence, the Declaration pointed out the basic challenges of the EU (supplementing Nice Declaration) that needed examination – better division and definition of competence between EU and member states; resolving the EU’s democratic deficit; how to achieve more democracy, transparency and efficiency; simplification of Union’s instruments; and requirements of a constitutional text.68

Keeping with the ‘road-map’ provided by the TN, the Laeken European Council, in order to pave the way for the next IGC in 2004, as broadly and openly as possible, decided to convene a Convention composed of main parties involved in the debate on the future of the Union. The Convention comprised of Mr. V. Giscard d’Estaing as Chairman, two Vice-Chairmen, fifteen representatives from member states, thirty members from European Parliament and two Commission representatives. The Praesidium of the Convention comprised of Convention

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Chairman, Vice-Chairman and nine members drawn from the Convention. Applicant countries were involved in the convention’s proceedings but with out being able to prevent any consensus which may emerge among current member states.

The convention was assigned with the task of considering the key issue arising in EU’s development and work towards the production of a final document, which may contain either different options or consensus-based recommendations. In conjunction with the outcome of the national debates on the future of the Union, the final document was expected to provide a starting point for the discussion of IGC, which would take final decisions. In parallel with the proceedings of the Convention, a forum was also opened representing civil society (social partners, the business class, NGOs, academia etc.) which was to take the form of a structured network of organizations, in touch with Convention’s proceedings, to broaden the public debate on the future of the Union.

The Debate has already begun with the Convention’s inaugural meeting on 1 March 2002. The whole exercise of wide-ranging discussions and debate on future of Europe focused by TN and Laeken Declaration, seek to provide legitimacy in shaping the future form and direction of the EU in a responsible and an acceptable manner. However, it would be premature to predict the direction and the final form the EU structure might take since the contribution to the debate are sill pouring in.\(^{69}\)

\(^{69}\)In the debate on future of Europe, apart from European political elites, interested groups and political parties etc., institutions of EU have also their own contribution and position papers. For instance, the Commission had prepared a white paper on European governance in mid 2001 stressing good governance as a requisite part of broader debate on future of Europe. See, http://europa.eu.int/comm/governance/index_en.htm. Further, in a Communication entitled, Future of the European Union: Renewing the
Yet the treaties and declarations, significantly the SEA, TEU, TA and Laeken Declarations, signify the movement of the EC from the narrow national sovereignty, though imprecise, towards a European union apparently on path set along the supranational line. However, the final shape of Europe - federal or otherwise - is hard to explain as European Union is still in the process of evolution. This process of evolution will gradually crystallise, taking account of all kind of influences, both from internal actors and from external pressures such as changes in the international climate.

Nevertheless, the very attempt of creating a Union is reflective of the will of Europeans since second world war to transcend the narrow confines of 'nation-state' and narrow nationalism; end goals of unity subjected to supranational v/s intergovernmental debate, shaping progress, stagnation or regression of the Community but with an undeniable fact that in the process interests and future of European states are irrevocably coupled.

EC: Success of Neo-Functionalism?

It is perhaps pertinent to discern the evolving nature/pattern of EC/EU in its staggered history. In this, foremost work has been done by neo-functionalists who in the early stages of EC claimed to provide a theoretical framework for the

dynamics of international change.\footnote{Haas, n.36} Apropos, neo-functionalism deserves closer attention.

As already noted, neofunctionalists saw regional integration as an intrinsically political process involving the need to reconcile social diversities and to balance the conflicting interests that exist in all societies within a community framework.\footnote{Even federalists acknowledge this; however, they differ from neofunctionalists by emphasising the formal changes in political institutions and procedures i.e., they define formal outcomes and recommend suitable institutional frameworks for balancing natural social diversity with just governance rather than uncover the sociological dynamics behind political change.} The mutual confidence/trust (\textit{engrenage}) to them facilitates increased interaction leading to further integration gradually into areas considered ‘political.’

However, the experience of national assertions and slow or lack of spill over appeared to have put the community on the track of intergovernmentalism, thus undermining the assumptions of neo-functionalists. In fact, the events in Europe seemed to outwit the theoretical predictions leading to pessimism about any possible theoretical framework for the development of the EC/EU.

In particular, neo-realists were arguing that there is no evidence of inevitability of spill over leading to political integration; and, what has been achieved within the Community has depended upon political leadership by national elites and by political agreements between national governments.\footnote{‘Neo-realists’ assumed that states are self-regarding actors with differential resources, co-existing within a system characterised by ‘anarchy’. At the same time states promote beneficial forms of international cooperation including pooling of sovereignty to mitigate chaos by providing channels or networks for negotiating mutual non zero sum accommodations even between most adversarial states. See, Robert Keohane, ed., \textit{Neo-Realism and its critics} (New York: Columbia University Press, 1986); Stanley Hoffman, “The European community and 1992,” \textit{Foreign Affairs}, vol.68, 1989, pp.34-35. States whose socio-economic system and political values converge go beyond usual diplomatic bargain and enjoy more positive forms of integration. Paul Taylors’ ‘consociationalism’ represents this inherent paradox of states’ elites cooperating in pursuit of their separate but common interest agendas rather than by supranationalism. Paul Taylor, “Regionalism and Functionalism reconsidered,” In A. Groom and Paul Taylor, ed., \textit{Frameworks for international cooperation} (London: Pinter, 1990) pp.234-54.}
undue optimism by neo-functionalists about the potential promotive role of 'quasi-federal' or 'supranational' institutions overlooked the differences between domestic and international politics. In this, formal power of central government in political process is underestimated and the group activity and informal powers are over emphasized. Even the assumed locomotives of integration, i.e., interest groups often operated with limitations since they neither have mass membership nor could evolve/represent 'Community' interest. In fact, the overwhelming power concentration of the member-states within the Community framework has proved to be a decisive factor not only in shaping the Council which represents them and the Community in general but also parties and interest groups to some extent.

Further, as experience of reluctance of Danes in the initial referendum of 2 June 1992 to ratify TEU or refusal to adopt Euro in the referendum of 30 September 2000 highlights, people's loyalty to the Community institutions neither is a 'prerequisite' for functional organization of Europe as Mitrany assumed nor develops as a 'consequence' of elite agreements for such organisation as Monnet predicted.

Instead, as Haas believed against Mitrany, it becomes clear that integration is not initially dependent on mass support, although such support might overtime, become associated with its development and, hence, loyalties cannot be taken for granted. In fact as the rocky roads to the ratification of TEU suggested though single focus for loyalty and identity that a nation-state model promoted has loosened, it has not been replaced by any clear pattern of multiple loyalties and

\[73\text{ R.J.Harrison, "Neo-functionalism," Groom and Taylor, eds., ibid, pp.146-47}\]
identities. National community still remains broadest focus for political life and group identity despite a remarkable increase of social interchange and focus on integration over the years.

Therefore, 'spill over' concept of the neo-functionalists becomes analytically or empirically imprecise. Although neo-functionalist model identify some of the principal supranational agencies at work in the process of international change, it fails to offer any satisfactory account of how such actors manipulate or direct the regional process. Further, its notion of cultural 'spill over' hardly accounts for the persistent conflicts, frictions and genuine dilemmas which constantly affect the participants in the regional process. To this extent, neofunctionalism remains theoretically incomplete and methodologically deficient.74

These issues necessitate a fresh look into the basic assumptions of neofunctionalism in the light of Community experiences. In this, significantly, Keohane and Hoffman argued that Community's display of supranational decision making pattern (at least since SEA) based on compromise and common interest, corresponding to what Haas defines as supranational decision-making style, i.e., seeking to attain agreement by means of compromises upgrading common interest, suggest that given the EC's confederal nature intergovernmental bargain is required for the development of a single market.75

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75 See, Robert O. Keohane and Stanley Hoffman, “Conclusions: Community Politics and Institutional Change” In Wallace, no.54, pp.279-80. However authors sense no teleological force at work like federalists/supranationalists; instead, complex policy procedures and networks of the community projects are seen as pooling of sovereignty in order to maximise the benefits of intergovernmental cooperation to the EC's various and competing national interests in the context of changing global economy.
In this attempt to revalidate Haas’ argument, there is an acknowledgement that intergovernmental bargaining process has to be a prerequisite for any spill over (economic or political). Here integration is identified as structural imperative for common good rather than deterministic. Therefore, spill over does not become an automatic process; instead, role of political elites is seen as significant.

Once these limitations of neo-functionalists like inevitability of spill over is recognized and intergovernmentalism becomes the initial focus of analysis, much of the theoretical disillusionment resulting from the past experience is overcome. This means reassessment of theoretical frameworks in the light of emerging trends.

What in this context, appears to be valid in reality is the synthesis of antagonistic viewpoints between state-centric intergovernmentalism and neo-functionalism in the operation of EU. On a closer look, it is clear that integration process is neither driven by a singular dynamic thrust, whether state-centric or supranational one, nor propels in any clear direction or towards any certain outcome. State-centric paradigm reflected the national preferences that motivate member states in EU but ignored the possibility of states’ action guided not solely by their domestic agendas. At the same time, spill over concept neither sufficiently explained integration process nor gave a push towards pan-European polity as explained by supra nationalists.

What needs to be emphasised here is that what appears to be 'mere' intergovernmental cooperation in pursuit of national preferences and domestic agendas may well encourage overtime new habits; the pursuit of mutual objectives and joint endeavours. This is because European domestic agendas are shaped by
transnational flows within and between different levels and agencies of the community on one hand and domestic politics shaping regional process on the other. In other words, the transnational flows and networking may lead to convergence of national preferences in pursuit of more or less common positions as well as conflicts between entrenched national interest. In this elite bargain at the intergovernmental level becomes important for upgrading common interest eventually resulting in complex interdependence. The events leading to the acceptance of SEA, TEU and the TA signify this. Therefore, what becomes focussed here is the bargaining process, characteristic of intergovernmentalism.

This need not be antithesis to supranationalism because for any further integration (spill over), prior programmatic agreement among governments by way of bargaining becomes a necessity. Because, the contingencies in some aspects encourage the divergence of national preferences in pursuit of more or less common position while on others, networking may foment conflicts between entrenched national interests. Therefore, alliances and conflicts - between parliament and commission or council and community or within council itself - form the essence of EU. This explains the recent community trends, for eg., deeper integration promoted by SEA, TEU and TA have their origins in intergovernmental conferences where issues involved were extensively debated, contested and agreed upon.

In the process, external catalysts may provide necessary impetus to the intergovernmental bargain, which in turn result in task expansion of the community and sectoral (economic or political) spill over internal to EU depending on the common (bargained) advantages foreseen. The popular perception may now be influenced by transnational forces and agencies as being resourceful and effective to meet challenges of the day, than the authority of national governments. Formal structures are influenced by processes and the watertight compartments into domestic sphere and international sphere begins to blur due to increased interpenetration between the two and formal institutions have to take note of it. For instance, intergovernmental decision for a SEA was basically in response to the political economy of 1970's and 1980's and TEU and TA of 1990's. This external stimulant rather than idealism for European Unity was to result in convergence of national interest and spill over following from it.

This might appear to be the accommodation of states to the changing realities and utilitarian reconstitution of the role of state in the face of challenges as defined by neo-realists. But the process results in interpenetration of each others' economy and development of process that could be dealt only at a level higher than intergovernmentalism where pure domestic agendas in the strict sense cannot be pursued. Hence the position reached would be more than 'least common denominator' although it cannot be referred as supranational /federal since nation

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states continue to have final say on areas considered core to nation states and its identity in its broadest and most inclusive sense. But the traditional understanding (realist) of the role of state as being capable of effecting suitable policy outcomes or direct events to their national advantage in its narrow sense becomes impracticable so as the romantic idea of a historically determined, sociologically permanent and culturally fixed identity.

Spill over in the context becomes a secondary conditional consequence rather than promoter of integration; 'in the wake of an intergovernmental bargain based on subjective similarity and a common policy orientation actors can have incentives to promote task expansion into new sectors in order to protect gains already achieved.'

At the same time, as British position in 1980's and early 1990's suggest, countries do not want to make 'concessions' at European summits that reflect other states' interest thereby alienate domestic political support. TEU's three pillars under one roof and TA's provisions prove that on areas where convergences of interest possible integration tends to be institutionalised and on others cooperative intergovernmentalism continues. Therefore, states are not mere satellites of forces of market mechanism and networking, at times they do restrain them to considerations of national interest but act if perceived interests outwit the losses.

In the given circumstances, state appears to be rational as well as instrument of societal forces. The accelerated pairs and expansive scope of EU's joint decision making and pooling of sovereignty is represented by institutionalised

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78 Keohane, n.75, p.287
interdependence as reflected in the growing body of community laws. But it is the hard bargaining within and between the community institutions to protect or advance domestic preferences of member states determines the next step in integration. Obviously, the survival instinct by ensuring continued capacity to compete in a highly competitive world economy that forms the background for these negotiations calling forth mutual adjustments, common strategies and even a degree of pooled sovereignty. In the process, however, traditional confines of the nation states in its broadest and most inclusive sense and the freedom of unilateral action is broken although it has not been replaced by clear cut supranational authority.

The political integration, hence, does not follow automatically for want of economic integration; its form depends on the extent of casual role played by the latter providing necessary but not automatic link between the two. In the community history, the politico-economic situations (domestic linked to international) in which member states are placed itself serves as stimulants for spill over, with appropriate institutionalisation of integration process, which in turn might raise the interactions to such a level where further conjoining becomes inevitable. In this the commitment to values of liberal democracy, free market economy and growing sense of common rather than identical purpose vis-à-vis their own region becomes important in giving a cultural anchorage to such integration process.

In other words, the formal integration in Europe with its framework of rules and regulations may seek to shape informal flows. But economic and social
development, aided by technical change and the pressure of the changes in international situation may in time raise those flows and networks to an intensity which faces governments with the dilemma of limiting further development or adjusting roles to accommodate their consequences. What goes on in these networks affect both perception regarding present position and expectations for the future. This might set off a push-pull process between formal and informal integration, moving from partial bargains among governments to adjust the formal balance between autonomy and common policies. This might lead to further intensification of informal exchanges, and so to renewed pressures for change in rules and structures.

Here both government and the economic group affected by current policy repertoire are likely to make the careful calculation that negotiating process that delivers results is more valuable than the frustration of a stalled debate. However, supranational and intergovernmental protagonists may find sufficient pay off in these networked bargains to induce them to be in the game. The context and nature of SEA, TEU and TA are a case in point. The state of integration and how for it approximates the minimalist or advances towards maximalist options, depends on constantly shifting coalition of political forces at work within and between the member states and EU’s institutional centre.

Therefore, it would perhaps be premature to conclude that the EU is a super state in the making. EU today is more than sum total of national parts where degree

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of penetration is more than intergovernmental level, but the community has not yet become a federation, nor has precisely defined the end goals (European Union does not indicate federation). The interaction process between the distinct but interdependent sets of political impulses of supranationalism and intergovernmentalism provides the EU its central dynamic. The principles like 'subsidiarity' signify a bridge between conflicting impulses of commonality of purpose and the continuing scope for states' initiative. Therefore, in the process of European integration national interest competes and coexists with a rising sense of regional identity. This reconciliation between persistent difference and continuing accommodation of deep-laid interest perhaps would be an asset to EU as and when it expands to include more number of heterogeneous members.

Nevertheless, the cumbersome journey towards European Union has begun raising above narrow nationalism starting from single coal and steel sector. Further changes in the EC/EU depend on the response of political system of Europe to meet the changing needs of society. As Monnet said,

"The sovereign states of the past can no longer solve the problems of the present, they cannot ensure their own progress or control their own future... where this necessity will lead and towards what kind of Europe, I cannot say...but I see no point in trying to imagine today what political form it will take." 80

An Overview

EU today is a major force in international relations with its own identity. EU surpasses all other regional organisations by its distinctive way of performing wide-ranging activities touching even sovereign areas of member states. EU has become a

80 Monnet, n.17, pp.523-24
distinct entity in European scenario sustaining and promoting formal and informal interactions and network transactions across Europe ensuing a complex interdependence.

Emerging from a sectoral integration among six countries EU has grown to include fifteen countries and expanded its scope to include most areas earlier dealt exclusively by nation-states or other organisations. It has promoted peace in Europe by irrevocably coupling of destinies of member states and has significantly contributed to the economic progress and well being of European states. It has responded to its best to internal deficiencies and global economic challenges by a common action and sought to increase the competitiveness through common market and harmonisation of policies.

Today many of the policy areas that were earlier dealt exclusively at the national level are being dealt at EU level, indicative of the influence EU has acquired over the years in European affairs. When EC came into being it aimed at creation of a customs union and internal liberalisation that involved mainly the trade in goods. Naturally, the initial focus of EC was on elimination of border control, more specifically elimination of tariffs and quota restrictions since both were related to each other. Therefore, it was not contradictory for most European states, in practice, to pursue welfare policies at home with highly interventionist state (although different from one another) and European economic liberalisation and integration. As an author summarises it was “Keynes at home and Smith abroad.”

These apparently contradictory policies were pursued almost till 1985 when internal

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market programme, initiated by the European commission, were programatised by the Single European Act (SEA).

Since the adoption of SEA, the EC/EU has become a facilitating/regulatory authority dealing with domestic (European) forms of intervention/ regulation rather than dealing with just border control. This was natural because of EC’s internal liberalisation of factors of production, especially services and capital subsequent to the SEA since in these areas state control essentially happens to be domestic (not border control) regulation and elimination of tariff and border control could do very little to the liberalisation of services or capital at the EU level. Hence, liberalisation of services and essentially of capital began with internal market programme.

These developments are important because since the adoption of SEA, the EC/EU has increasingly acquired regulatory power that has significantly altered EC/EU’s position both within Europe and outside. With the adoption of TEU, irrevocable fixing of exchange rates and Euro, Western Europe is characterised by high density of cross-border economic exchange. National economic frontiers have become less and less important, though not irrelevant. Especially with progressive elimination of large number of Non-Tariff Barriers (NTBs), application of the principle of mutual recognition, adoption of common rules at the European level and high degree of harmonisation a complex interdependence among EU members have emerged. TEU, by transforming EC into EU, has broadened its premise so as to include political affairs along with economic, specifically foreign and security policy. Amsterdam Treaty has given a thrust to JHA.

EU, therefore, has become a significant regulatory / facilitating authority
although of a different kind, by focussing on “European level” agreement in those policy areas which were traditionally the domain of nation-states. European states had to reconcile to this apparent situation of two-tier regulatory structure in some policy areas since the importance of EU framework has become difficult to be ignored while framing policy agendas.82

However, the shared responsibility between member states and the EU is more visible in economic aspects than in political areas, and despite overt intent statements, political integration has not been kept pace with economic integration. This is clear in both theory and practice of CFSP. The CFSP constituting the second pillar of Maastricht TEU is basically inter governmental in nature. The Amsterdam Treaty though added institutional structure to the CFSP, was explicit in the dominance of ‘national’ against ‘European’ preference. This limitation is consequence of differing perspectives of member states arising from historical experiences which has come to the forefront on crucial areas such as EU defence, relations with the US and NATO, approach to the conflicts in former Yugoslavian region etc.83 Member state’s pressure on EU in defence of national interest despite the mandate to the commission to negotiate on behalf of EU states in international forums such as GATT is another instance.


However, in the given EU framework, although member states have pursued domestic agenda, the rigidity of such positions has not persisted when they have foreseen the benefits of common policy outwitting losses. Innovatively EU, instead of adding new areas in disconnected fashion, has expanded its scope across the issue areas by constructing an increasingly dense network of interdependent bargains making it difficult for member states to pursue exclusionary politics.

In this structure, the transfer of power / influence from national to European level- though not uniform, complete or linear – have become significant because EU not merely increased its area of competence but has acted and shared responsibility on those areas, which were earlier considered exclusive domain of nation-states. The level of intrusiveness may vary across policy areas but influence / presence of EU on policy matters of member states or the ‘domestication of Europe’ have become difficult to be denied.

Nevertheless, EU has become an unique regional organisation which has not eliminated national differences by defining common rules but has strived to ‘manage the interface’ between different national systems and policies so as to ensure that such differences do not become a threat to overall progress of EU. But in this integration, especially in economic area autonomy of states to act exclusively have been affected though states are far from withering away. National boundaries have become less prominent though not eliminated in communitarian policy structures.

What emerged in the process is a ‘symbiotic relationship’ between EU and member states where the viability of one is maintained by the existence and
development of the other; thus indicating transfer of power not as a zero sum game. Traditional social science categories such as sovereignty, welfare state etc. have limitations here in application and understanding of EU structure since EU has often sought to redefine the essence of these to suit its requirement in changing times.

Nevertheless, Europe which was a victim and beneficiary of cold war had to confront daunting tasks with the end of the cold war. End of cold war led to reunification of Germany altering the internal balance of the EC / EU, placed US-European relationship in question and put the CEEC with its acute economic and security needs in West European agenda. With EU becoming magnetic attraction to ‘other’ Europe, against which EU defined itself earlier as distinct entity, cold war anchorage was deprived, and EU now had to be concerned about the effectiveness of EU with potential, qualitatively different eastern enlargement. Coupled with the challenge was effects of globalisation and relative inadequacy of the state, which had placed the original EC objective of economic progress under new circumstances of industrial societies and ‘security’ now interpreted differently. Political differences further constrained EU’s external action commensurating with its economic strength.

Therefore, end of cold war was a challenge as well as a promise since it offered opportunities for Europe to regain its identity and be a front ranking global power relying on its own strength. EU’s response to the issues appeared to consolidate the fabric of EU by asserting and stressing the hitherto implied shared
values of political liberalism and economic principles containing elements of market economy articulated as *acquis communautaire*.\(^{84}\)

These are clear from Maastricht TEU, which in Article F affirms that "principle of democracy" and "respect for fundamental rights" are the basis of EU structure. The Amsterdam Treaty of 1997 further clarifies in article F that the "Union is founded on the principle of liberty, democracy, respect for human rights and fundamental freedoms and rule of law". It was provided under article O that applicants would respect these principles and existing members might be suspended in extreme cases for violating them. In economics, the "European welfare state" accommodated neo-liberal economic stance that now competed with Keynesianism as an alternative and potentially predominant paradigm of economic policy.

Attempts were made to place most activities hitherto performed by different units under one roof of EU.\(^{85}\) But its contestation was to result in three-pillar strategy at Maastricht. So while economic integration was carried forward with communitarisation and adoption of EMU and Euro in a phased manner, EU


\(^{85}\) The attempt to develop EU into a self sufficient unit that is no longer dependent on the co-existence or complementarity of other forms of transnational co-operation is termed by Helen Wallace as 'club' behaviour – privileges for insiders and thus forms of discrimination against those outsiders. The deeper integration in all major areas within a single EU framework consequently reinforces the gulf between participants and non-participants and makes it harder to tolerate varying degrees of involvement. This in effect blocks the easy entry of others and nowhere this case for retained club privileges more vehemently asserted than in the discussion of eastern and southern enlargement. This club identity, a conservative and conservationist feature of the EU, technically articulated in the defence of the 'acquis communautaire' as shorthand for the club rules. The implicit exclusiveness suggest that EU in the given context is no more inclined to apply its initial experience of simultaneous evolution on several dimensions that allowed scope for experimentation, and changes overtime allowing for creative and organic linkages. See, Wallace, ibid., pp. 295,299
adopted CFSP in a limited way in the intergovernmental second pillar as a framework to address challenges of the future and remarkably prevented re-nationalisation of defence by increasing value of WEU by linking it with EU. TEU’s third pillar of JHA, outside community decision making was brought into the framework of EU by TA but operating at the intergovernmental level.

This process reflect the accommodation of communitarian, co-ordinated and national policy instruments within the EU policy areas – with the competency of the EU institutions growing significantly- rather than consent member states to pursue independent and contrasting policy decisions. In the intergovernmental systems the communitarian elements are systematically reinforced. Only the national peculiarities, which are sensitive and emotive to member states, are left exclusively to nation states.

The EU has become self reliant and assertive with every new treaties. The stability of EU when ‘other’ Europe was witnessing turmoil speaks of EU’s internal strength. EU’s attraction to East European countries indicates the conciliatory mood in Europe albeit in EU’s acquis terms and the conflict prevention role EU has acquired in a changed atmosphere. With adoption of single currency – Euro – with sound economic fundamentals operating behind, and with strong economic base, EU would be a powerful economic entity in the world with likely challenger to the hitherto US and Japanese domination. Though not overt due to internal divergence of perspectives, EU is willing to flex its muscles into security areas and if realised it will be a major thrust to EU’s strength.
The emergence of strong EU though treated as part of developed west has beneficial effect on development of a multi-polar world. The economic route to integration is a model for most regions of the world. EU characterises a willingness of regional members to explore the possibility of common action to face the common challenge despite hiccups in the momentum – archetype to South Asia. EU represents a continuous process where in region repositions itself in the changing international order with an effort to insulate itself against adverse effects.

However, EU is not taken as an un-problematique entity even by its constituent member states. For long, though disputed at times, in the lines of functionalism, economic integration was seen as a road to political integration and therefore, commitment to EMU was a commitment to wider Europe. The functional logic of economic and technological transformation has vied with political logic of statehood and national identity. Search for common action swung between the two and integration proceeded on the pay-off expected - synergy in some case and tension in others.

But now integration touching core areas of sovereignty internal differences have become difficult to conceal and conflict have come to the forefront with regard to the evolving nature and role of EU. Hence the bargain, compromise, incremental or radical shifts in response to perceived situation and even learning from the experience that characterised earlier integration process is almost appear fading.

In addition, EU is often conceived as technocratic construction ‘from above’ rather than democratic evolution from below. EU’s ‘democratic deficit’ is
repeatedly attacked. Elite driven political integration out of pace with cultural integration is seen as real source of EU’s problems. Not many in EU seem to be aware of the significance of EU. As Euro barometer (2000) indicates average level of perceived knowledge among public in EU-15 is just 4.24 in the scale of 0-10 (know nothing at all to know a great deal) which is not significant. Of this Austria was in the higher side with just 5.25 while UK was lowest with 3.4. Even the support for EU membership was 51 percent average while the perceived benefit from EU membership average was just 46 percent with 88 percent in Ireland and 29 percent in the UK.\textsuperscript{86} Not surprisingly, states have continued to be the focus of identity and legitimacy for people and EU is far away from acquiring statehood with its own sovereignty and legitimacy or nation-hood with features of identity and loyalty. Its very powers are in fact derived from the consensus of member states.

Nevertheless, paradoxically, the centrality of EU in European affairs cannot be dismissed given the significant transfer of power to EU at different levels and the influence of EU on policy measures. It has promoted and sustained complex interdependence and interactions at different levels, shared the responsibilities with member states at certain points thus making exclusive actions by member states difficult.

EU is neither a federal polity with clearly demarcated competences nor an inter governmental union of states in which national governments enjoy monopoly

over decision making. It is this characteristic that makes EU governance description so debatable and so varied as 'government without statehood', 'multi level governance', 'pooling of sovereignty' etc – all of which partly explain the essence of EU. If states are supreme Europe does not require EU, and if EU is supra-national, integration process would not have become so controversial. It is this peculiarity of EU operating between supra-nationalism and inter-governmentalism that makes it a hybrid political animal and EU system as a “suigeneris” system not identifiable with other organisations or institutions in the changing international order.