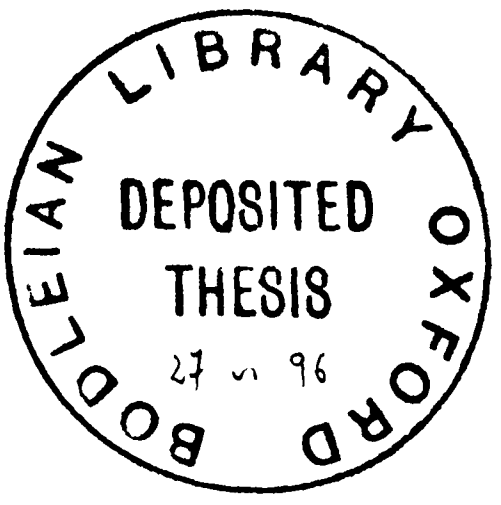
The Making of the Single European Act: the United Kingdom and the European Community: 1979–1986.

A Thesis
presented to the Faculty of Modern History
at the University of Oxford
in fulfilment of the requirements for the degree of
Doctorate of Philosophy.

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Trinity Term 1994



SHORT ABSTRACT

The Making of the Single European Act: the United Kingdom and the European Community, 1979–1986.

This thesis is a contemporary history of one episode in the United Kingdom's experience of the European Community (EC). It charts the making of the Single European Act (SEA) from its early–1980s' origins, through the bargaining process of the Dooge Committee and 1985 intergovernmental conference (IGC), to the SEA itself. By studying the origins of a specific treaty, the thesis analyses the impact of EC membership on one west European nation state and places the historical episode in its wider context.

The historical method is appropriate for studying these events despite the contemporary nature of the period. Detailed, empirical analysis of the episode reveals most fully the complexities of the process of European integration as this member state experienced it. But the thesis also draws on academic disciplines beyond the faculty of history: these include comparative politics, economics, international relations, European law and international political economy. The study of the SEA enters their various internal debates, especially over the nature of the state and international system (chapter one), but keeps its historical approach.

The thesis addresses the making of the Single European Act by asking two questions. First (chapters two, three and four), why did the United Kingdom agree to formal reform of the EC and ultimately the 1985 intergovernmental conference? Second, once the conference had opened (chapters five and six), why did the Single European Act take the specific form that it did, despite the United Kingdom's efforts?

Answers to these two questions confirm elements of the two competing theories on integration; neo–functionalism and neo–*Realism*. The answers also demonstrate that neither theory can fully explain all that happened, when it happened or why. One reason is that two distinct processes were at work: theory to date had not distinguished them, but close empirical analysis revealed their important differences.

The first proces was informal, economic integration which usually took place among societal actors. This underpinned and informed the British Government's policy preferences. The second was formal integration, state–led codification through bargaining which (surprisingly) did not follow the premises of the latest theoretical endeavour, 'inter-governmental institutionalism'. The distinction between the two processes and the actors they involved, and also their interrelationship are among the thesis's contributions to the theoretical debate.

ABSTRACT

The Making of the Single European Act: the United Kingdom and the European Community, 1979–1986.

"So how did such a huge decision [about the Single Act] come to be taken with so little debate?" Norman Tebbit, Unfinished Business, (London, 1991). p.46.

This thesis is a contemporary history of one episode in the United Kingdom's experience of the European Community (EC). It charts the making of the Single European Act (SEA) in two phases; from the reform process' early–1980s origins to the British Government's policy paper (Europe-the Future) in mid-1984, and then through the bargaining of the Dooge Committee and 1985 intergovernmental conference (IGC) to agreement of the SEA itself.

In short, it attempts to answer Norman Tebbit's question (above). By studying the origins and negotiation of a specific agreement, the thesis analyses the Community, its impact on one European nation state, and places the historical episode in its wider context. The findings of the thesis on the nature of the 'state' and its insights into the bargaining process of the 1985 IGC are relevant to wider studies of the EC, its member states and integration theory.

The research project has three main purposes:

– first to determine and record the origins of the Single Act which underpinned the mid–1980s' relaunch of the European Community's fortunes: the historiographical literature to date is incomplete and focuses either solely on the three month IGC or on the wider western processes of integration or liberalisation;

– second, to investigate the process by which one member state came to agree to this act of formal codification, despite its earlier reluctance to go beyond its Europe - the Future position: this in turn sheds light on the processes of EC bargaining within the 1985 intergovernmental conference (the conclusions of this thesis, which was started during the 1991 IGC and defended shortly before preparations opened for the 1996 conference, may yet have operational value); and

– third, to enter the theoretical debate about the nature of the European Community, its relations with the member states, and processes of European integration. The SEA had revitalised a clash between neo–functionalist and neo–*Realist* analyses, in which Andrew Moravcsik's writings on inter-governmental institutionalism proved the most persuasive explanation to date of the SEA's making: this empirical thesis highlights the limitations of this theoretical approach.

To meet the first aim, the thesis adopts an historical methodology as the most appropriate for studying these events, despite the contemporary nature of the subject. Detailed, empirical analysis of the episode reveals the complexities of the process of European integration as this one member state experienced it. The thesis also draws on academic disciplines beyond the faculty of history: these included comparative politics, economics, international relations, European law and international political economy. The study of the SEA therefore enters their internal debates, especially over the nature of the state and international system (chapter one), but nonetheless remain an historical study.

Attempting an historical analysis of a contemporary subject entails specific problems. Few had attempted to study the SEA, the historiography (both descriptive and theoretical) is sparse and the thirty-year rule bars access to many interesting documents. The research project mitigates some of the constraints with three distinct advantages.

First, a decade after the event is not so long that participants have forgotten details which might otherwise not have survived. Second, many political participants have left office and are already reflecting on the mid-1980s, recasting their versions of the events into a usable history and often willing to discuss their personal role.

Last, the thesis is able to judge at least some of the short- and medium-term influences of the SEA. Following both a 'first draft' of history in the press and 'second draft' in the academic literature, this thesis, in spite of the contemporary nature of the subject, is able to make a fuller record of the making of the SEA, if only from the perspective of one member state.

In meeting the second aim, the thesis contends that conflicting views of European integration, the Community and the behaviour of its member states differ primarily over perceptions of the 'state': a more precise understanding of the state is essential to comprehending the EC itself. Chapter one analyses the ways in which the relevant theoretical literature has treated states, before setting a specific model of the disaggregated state for the thesis. This is based on a combination of existing approaches and represents a hybrid, comprising the 'arena' model advocated by Grant Jordan and Jeremy Richardson; the 'core executive' and policy network approaches advanced by Patrick Dunleavy, R.A.W. Rhodes and D. Marsh; and the transnational paradigm of Robert Keohane and Joseph Nye.

The disaggregated state's model is also crucial for understanding spillover and informal integration. Only with such an approach is it possible to describe how governments adopted and altered policy preferences over time. Linked to the model are two phenomena drawn from Keohane and Nye's work, namely transnationalism and transgovernmentalism. The former occurs both horizontally, between societal actors in different countries, and 'diagonally', between those in one nation state

and public authorities in another. Trans-governmentalism, namely contact among sub-government units and other public agencies of different countries, is also important. Although foreign ministries attempt to retain a collective overview of European diplomacy, they cannot hope to monitor all aspects of transgovernmental contact.

The third aim concerns the theoretical debate, especially Moravcsik's work on the making of the Single Act. In analysing the integration of western Europe, two major schools of thought have struggled for theoretical hegemony; neo-functionalism and the revisionist backlash of neo-*Realism*. The contest had reached its peak in the later-1960s and early-1970s, before subsiding in the mid-1970s when the neo-functionalists almost abandoned the field. The surprising success of the SEA revitalised this theoretical debate in the later-1980s and challenged the two original schools of thought. Neither of the two classic theories can explain the origins of the Single Act fully, and commentators failed to distinguish the two different phenomena in the integrative process, namely informal integration and formal codification. Because neither theory predicted a 'relaunch' in the Community's fortunes, the impact of the Single Act raised questions about the value of such 'grand theory' itself.

To meet these three aims, the thesis addresses the making of the Single European Act by asking two questions. First (chapters two, three and four), why did the United Kingdom agree to formal reform of the EC, ultimately through the 1985 intergovernmental conference? Second, once the conference had opened (chapters five and six), why did the Single Act take the specific shape and form that it did, despite the United Kingdom's efforts? To answer these questions, the thesis is divided into two halves, determined by the two qualitatively different forms of integration which emerged during research.

The first half of the thesis details the processes of *informal* and *semi-formal* integration from 1979 to mid-1984, when the British Government adopted its Europe-the Future policy paper. This half focuses on a range of mostly societal actors, including interest groups and corporate, 'for-profit' organisations. Surprisingly, the key players included the supranational EC institutions - especially the Commission - more often than it did the national governments.

The thesis identifies various strands of informal, sectoral integration which ultimately shaped the SEA: it traces their impact specifically within the United Kingdom and on the British Government. They include not only the obvious internal market project, but also environmental, regional and social policies. Beyond the Community itself, monetary cooperation and foreign policy coordination also reveal traces of informal integration, and shape the SEA bargain. The process culminated in the Government's statement of policy preferences in its Europe-the Future paper, circulated shortly before the Fontainebleau European Council (June 1984).

The second half of the thesis investigates the intra-Community bargaining which ultimately resulted in the tightly packaged Single European Act, with its web of linked and upgraded issues. This period of *formal* integration - set-piece negotiations on how to codify the preceding informal integration - involved mostly state actors, especially national core executives, and even some supranational players, rather than societal actors.

In contrast to the existing treatments, the thesis considers the process of codification during not only the 1985 intergovernmental conference itself, but the whole period from the Fontainebleau summit until the signing of the SEA in February 1986. The bargaining in the three month IGC was in fact only a continuation of debates which had started much earlier and crystallised in the 'Dooge Committee' of 1984-85. The thesis therefore deals with the twenty month period as a single, coherent whole, rather than a series of unconnected episodes.

In the case of the United Kingdom, researchers of the SEA are particularly fortunate in that the Government published its views on Europe and the Community just as the period of informal integration ended and the process of formal codification started. Europe—the Future therefore allows comparisons not only backwards, to see how governmental attitudes and priorities had developed, but also forwards to the final text of the Single European Act. Discrepancies between what the British Government said they wanted in 1984 and what they secured in the SEA allow rare glimpses into the IGC's bargaining and the dynamic of the codification process.

By linking its empirical policy studies' investigation to a more theoretical endeavour, the thesis also makes a modest contribution to the debate on revitalised theory. It agrees with those who believe the insights of neo-functionalism had been unfairly 'consigned to the dustbin', for explaining the period of informal integration at least. Though spillover and supranational actors were not solely responsible for the integration, neither were the impersonal forces of economic interdependence. The thesis therefore also agrees with those who stressed the importance of national policy preferences and intergovernmental bargaining in the later period of formal codification. But it parts company with these theories, especially Moravcsik's 'intergovernmental institutionalism', over the premises underpinning the integration process.

The two major schools of thought on European integration come together in the model of the disaggregated state. It is clear, however, that the empirical evidence fails to verify either of the contending theories entirely. Even allowing their applicability at different times and in different policy areas, they cannot answer all of the questions which the events of the mid-1980s had raised. Instead, a plurality of descriptive analyses, rather than one 'grand theory' or the other, offers the most comprehensive approach to explaining the making of the Single Act.

Though a unified theory of integration does not result from this thesis, the study of the SEA at least describes the deficiencies of the existing literature and maps a possible route for future research projects. The results of studying one member state during one period are clearly too modest a base on which to build a grand theory of integration, but the thesis' theoretical endeavour remains a worthwhile project. At the least it reveals the continuing applicability of neo-functionalist theory, the abiding value of a functionalist approach and suggests that the premises of intergovernmental institutionalism would have mispredicted the final shape of the Single European Act.

In retrospect, many commentators underestimated the Single Act's importance, hence the surprise at its impact and efforts to explain its origins. The SEA played an important part in relaunching the European Community's fortunes in the mid-1980s and its impact is still being played out. Its longer-term importance lies partly in its forward linkages, for example to the 'Delors I' agro-budgetary package and the calling of a second IGC in 1990. The Maastricht Treaty of European Union is in many ways a codification of the informal integration and forward linkage unleashed by the Single Act: but the making of the Maastricht Treaty is another history. This thesis of contemporary history merely attempts to answer Norman Tebbit's question about how such a huge decision over the Single European Act was taken and with so little debate.

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Abbreviations

ACEU	Action Committee for European Union
ACP	African, Caribbean and Pacific states
AEU	Act of European Union
BATNA	'Best Alternative To a Negotiated Agreement'
BIS	Bank for International Settlements
CAP	common agricultural policy
CBI	Confederation of British Industry
CCP	Common Commercial Policy
CFSP	common foreign and security policy
CPS	Centre for Policy Studies
CSCE	Conference on Security and Cooperation in Europe
DoE	Department of the Environment
dTEU	draft Treaty on European Union
DTI	Department of Trade and Industry
EAEC	European Atomic Energy Community
EAP	Environmental Action Programme
EC	European Community
ECJ	European Court of Justice
EcoFin	Economic/Finance Council
EcoSoc	Economic and Social Committee
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EDG	European Democratic Group
EEC	European Economic Community
EFA	European Fighter Aircraft (later 'Eurofighter')
EFTA	European Free Trade Association
EMCF	European Monetary Cooperation Fund
EMF	European Monetary Fund
EMS	European Monetary System
EMU	Economic and Monetary Union
EP	European Parliament
EPC	European Political Cooperation
EPP	European People's Party
EPPG	European People's Party Group (in EP)
ERDF	European Regional Developmental Fund
ERM	exchange rate mechanism (of EMS)

ESPRIT	European Strategic Programme for R&D in IT
ETC	'European Technology Community'
ETUC	European Trade Union Confederation
EU	European Union
FASC	Foreign Affairs Select Committee (UK)
FCO	Foreign and Commonwealth Office
GATT	General Agreement on Tariffs and Trade
IAC	Institutional Affairs Committee (in EP)
IEA	Institute of Economic Affairs
IEEP	Institute for European Environmental Policy
IEPG	Independent European Programme Group
IGC	intergovernmental conference
IMPs	Integrated Mediterranean Programmes
IT	information technology
JET	Joint European Torus
MFA	ministry of foreign affairs
MoD	Ministry of Defence
MTFS	Medium Term Financial Strategy
NATO	North Atlantic Treaty Organisation
NTB	non-tariff barrier
OECD	Organisation for Economic Cooperation and Development (successor to OEEC)
OEEC	Organisation of European Economic Cooperation
PC	Plaid Cymru (Welsh party)
QMV	qualified majority voting
R&D	research and development
SAP	Social Action Programme
SCEL	Select Committee on European Legislation (UK)
SDI	Strategic Defense Initiative
SEA	Single European Act
SNP	Scottish National Party
TBT	technical barrier to trade
TEU	Treaty of European Union
TUC	Trades Union Congress
UKRep	UK's Permanent Representation to the EC
UNICE	Union of Industries of the European Community
WEU	Western European Union

The Making of the SEA: An Introduction:

In 2016, the official papers that cover the making of the Single European Act (SEA) will enter the public domain. Thirty years after the event, historians of the 1980s will be able to consult the original documents and provide a more definitive explanation of this episode. Until that date, the student of contemporary European history must rely upon the printed media, secondary literature and interviews to piece together the fragments of the story. Despite these difficulties, it remains an essential project to consider these events and the insights they offer into the European Community (EC) and its member states.

To this end, the thesis will address two questions regarding the Single Act. First, why did the United Kingdom's (UK) Government agree to a process of formal reform and ultimately an intergovernmental conference (IGC)? Second, why did the Single Act take the specific shape and form that it did? Despite the lack of official papers, an attempt before 2016 to draft a history of the period and answer these two questions enjoys a number of advantages.

In the remaining twenty years before the state documents become available, valuable personal recollections will lose their clarity and irreplaceable memories will fade. As the governmental documents will probably reveal little about the interaction of personalities and the informal dimension of policy-making, only interviews can capture dynamics within administrative structures and bargaining processes. Moreover, given the increasing use of the telephone, word processor and facsimile (in contrast to more traditional

letters and telegrams), the historian in future might find that the filed written sources are not as extensive as they have been in former decades. Therefore, despite traditional and "excessive reverence for the document", there is clearly much that the student of contemporary history can learn from such non-written sources.[1]

In addition to providing a record for posterity, a contemporary history may offer more immediate benefits. Though the "evidence of the past is almost always too varied to allow for 'hard' scientific conclusions", reflection upon past events may permit insights of value for the present.[2] As records for most of the EC's development and all of the UK's membership are still under the thirty year rule, contemporary history might afford one of the few guides to the accelerating pace of events in western Europe. More precisely, such a research project might offer insights into the unique nature of Community IGCs, the third of which was convened at the Turin European Council in March 1996.[3]

The original working title for this research project, devised in 1990, was simply "the making of the Single European Act". In the mould of Peter Ludlow's Making of the European Monetary System, the thesis was intended to analyse a watershed in the European Community's development from the 'overhead' perspective of the EC itself. In contrast to Ludlow's study and indeed to the majority of the existing literature on the SEA, I have narrowed the focus of this

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[1] Anthony Seldon, ed. Contemporary History: Practice and Method, (Oxford, 1988). p.1.
[2] Paul Kennedy, The Rise and Fall of the Great Powers, (New York, 1989). pp.xxi-xxii.
[3] The Maastricht 'Treaty on European Union' (TEU), Cm 1934. Article N(2). p.87.

thesis to the 'ground-level' perspective of one member state. Though such national studies have been regarded with suspicion in the past, much may be learnt about the nature of the EC itself from such an analysis.[4] By focusing on one member government over a significant period of time, the thesis will permit closer analysis of a national experience of regional integration. By focusing on the UK alone, it will place this one state more comprehensively within its historical and international context.

As the research project evolved over the three years of research, it became apparent that such a contemporary history touched upon several other academic disciplines beyond the faculty of history. While retaining an historical method as the most appropriate tool of analysis, the research topic followed most 'European studies' into the disciplines of comparative politics, economics, international relations, Community law, and international political economy. The study of the SEA draws on each of these disciplines and is in turn obliged to enter their various internal debates, especially over the vexed issue of the nature of the state (chapter one).

To answer the two questions posed above, the thesis is divided into two halves, each with its own texture and pace. The division of the thesis was determined by two qualitatively different forms of integration which emerged during research. The first half of the thesis (chapters two

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[4] Peter Ludlow, The Making of the European Monetary System, (London, 1982).; Paul Taylor argued that the EC's "inter-governmentalism of the late seventies and early eighties was encouraged by the style of scholarship at that time". Quoted in William Wallace, "Europe as a Confederation", Journal of Common Market Studies (hereafter JCMS), 20 (1982), 57-68. Quotation p.65.

and three), detailing the Thatcher Governments until mid-1984, focuses on the processes of *informal* and *semi-formal* integration which involved a range of mostly societal actors, especially interest groups and corporate, 'for-profit' organisations.[5] This part of the thesis traces the various strands of sectoral integration and their impact on the British Government, culminating in the latter's statement of policy preferences in its Europe-the Future paper circulated ahead of the Fontainebleau European Council (see Appendix).

The second half of the thesis (chapters four, five and six) attempts to investigate why the intra-Community bargaining after Fontainebleau resulted specifically in the tightly packaged Single European Act. The UK's Europe-the Future paper, published just as the period of informal integration ended and formal process of codification got underway, allows direct comparison with the resulting Act: this reveals discrepancies which only an analysis of the bargaining and dynamic of the codification process can explain. This period of *formal* integration involved national governments, trying to respond to, and shape, the pressures and societal demands created by the preceding informal integration.

In contrast to existing treatments of the SEA, this part of the thesis considers not only the 1985 intergovernmental conference itself, but the whole period from Fontainebleau in June 1984 to the signing of the SEA in February 1986. The bargaining in the three month long IGC was in fact only a continuation of debates which had started much earlier and crystallised in the Dooge Committee in 1984. The thesis will

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[5] For a useful distinction between formal, 'political' and informal, 'economic' integration, see William Wallace, The Transformation of Western Europe, (London, 1990). p.54.

therefore deal with the twenty month period as a single, coherent whole, rather than a series of unconnected episodes.

Carefully avoiding historical teleology, the thesis also examines not only the processes which actually placed reforms on the UK's and EC's agendas, but also the alternative visions of reform which informed debate and yet were not formalised in the Single Act. In some cases, the trails down which the participants in the IGC did not go, such as those towards a 'European Union' or 'Common Foreign and Security Policy', are as interesting as the well-known avenues mapped out in the SEA itself.

By studying the evolution of Community politics, a number of key sectors and the responses of one member government, the thesis will also shed light on the process of integration and the nature of bargaining within the EC. After placing the Single Act in context and examining the contemporary codes involved in discussions of Europe, the introduction will review the two main strands of literature regarding integration and their application to the making of the SEA. Even though it has only been in force for nine years, the Act has already generated a considerable historiography, while revitalising a number of theoretical debates.

The Single European Act in context

The "most important alteration to the British constitution since 1688" is how one British parliamentarian has described the Single European Act.[6] Outside the EC lexicon, the individual terms of the 'SEA' appear innocuous, but, as the

[6] Interview with Sir Christopher Prout, Conservative MEP.

thesis will demonstrate, the battles over terms were often the most bitter within the Community. At first, the Economist simply remarked that the 'Single European Act' was an "odd name" for a treaty. Even Lynda Chalker, the then junior Minister for Europe at the Foreign and Commonwealth Office (FCO), could not find "any good reason why it is called" the *Single* European Act.[7] Since 1986, it has acquired a symbolic status and attracted a number of myths. The meaning of the Single European Act needs to be clarified and the treaty placed within the historical context of the EC's development.

In meaning, the 'Single European Act' is as important for what it is not: primarily it is not a Treaty of European Union (TEU), although in the preamble the governments did commit themselves to "transform relations as a whole among their States into a European Union" (EU) in due course.[8] (Only five years later, a second IGC in fact produced a Treaty on European Union at Maastricht.) Hans-Dietrich Genscher, the West German minister for foreign affairs, introduced the term *European Act* in 1981 as part of a joint initiative to relaunch the EC's fortunes. The result of his initiative was the even more modest 'Solemn Declaration' agreed at the Stuttgart European Council. The term 'European Act' which he introduced, however, survived.

The full term, *Single* European Act, only emerged at the end of the IGC in mid-December 1985 and its use to describe

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[7] Nicholas Colchester, "A Survey of Europe's Internal Market" in The Economist, 9 July 1988. Quotation p.6.; Hansard, 6th Series, vol.93 (5 March 1986), col.336. Hereafter, all references to Hansard are to the 6th Series unless noted otherwise.

[8] The Single European Act, Cmnd 9758. Preamble.

reforming proposals before that represents a linguistic anachronism. David Buchan and Edward Colchester defined the Act's singularity simply as a "something-for-everyone bundle of amendments to the Treaty of Rome".[9] Its meaning in fact lay in the links created between the EC treaties and the strictly intergovernmental form of foreign policy coordination of European political cooperation (EPC). This essentially theological point caused certain delegations much trouble and the reforms almost faltered over the final term to be used.

In contrast to the 1991 TEU, the 1985 Single Act attracted little public attention in the United Kingdom during its making, ratification or even initial implementation. The Department of Trade and Industry (DTI) eventually raised awareness of the SEA through its publicity campaign over the 'single' market, as the internal market came to be called due to links with the Single Act. Despite its importance, the SEA enjoyed relatively little exposure in Westminster beyond a handful of opponents, compared to the more than two hundred hours which the TEU received. The delayed ratification of the TEU and the anti-EC sentiment of 1992-93, however, were in large part due to the impact of the Single Act, whose provisions had started to bite, and due to the attention which its liberalising project eventually brought to the EC.

Returning to the Single Act, misperceptions of its significance arose as it was often judged solely as a contribution to one quasi-constitutional debate. The discourse on 'European Union' was indeed prominent, but it was only one debate and perhaps one of the less important in

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[9] David Buchan and Edward Colchester, Europe Relaunched, (London, 1990).

the mid-1980s. The SEA's seven sectoral reforms and four institutional changes (see below) have been underestimated, but, as the thesis will demonstrate, they are crucial to an understanding of the SEA's origins and subsequent significance.

First among the sectors was the internal market, also known as the '1992-project' and rightly regarded as the centrepiece of the SEA. However, it both predates the 1985 IGC and fails to exhaust the Act's provisions. Much of the internal market's importance does in fact lie in the SEA, its definition, its scope in terms of majority-voting and the wide-ranging set of reforms packaged with it. The latter include treaty-based competences in three other sectors; namely environmental policy, high technology, and regional policy under the rubric of 'economic and social cohesion'. Existing competences in social affairs and foreign policy coordination were strengthened, while a monetary capacity for the Community was explicitly included.

Equally important, however, were four apparently minor institutional provisions. The European Parliament's (EP) incorporation into the EC's legislative process for the first time, the clarification of the Commission's executive prerogatives, increased majority voting in Council and provisions for creating a Court of First Instance amounted to a minor revolution within the Community's institutional balance. The apparently minimal changes and range of new competences subsequently proved as important to the Community as the 1992-project itself. The latter alone would certainly not have warranted Prout's declaration on the SEA's constitutional impact.

Since 1986, the SEA has also spawned a number of myths, which this section will try to debunk. First, the Act did not itself introduce 'qualified majority voting' (QMV) to the Community: the original Treaties already contained many provisions for Council majority voting, but for historical reasons the member states had not used them. In fact, the SEA did not even **re**-introduce the practice of majority voting. In the first decade following the mid-1960s' crisis over QMV, the number of decisions taken by the majority rules reached double figures, while over ninety were noted in the four year period shortly before the SEA.[10] At best, the SEA accelerated an existing trend.

Another myth is that the SEA "replaced the Luxembourg Compromise" of 1966, according to which a member government could wield an informal 'veto', despite formal QMV rules, on issues touching vital national interests. Apparently, the Compromise was not even discussed during the 1985 IGC, though it had frequently been debated in the preceding months. There is certainly no reference to it in the Single Act and the informal veto remained a fact of political life within the Community, as Chalker testified in the Commons.[11] Its decreased use in the late 1980s was certainly not a legal, though perhaps a political, consequence of the SEA.

Last, in contrast to Giovanni Agnelli's assertions, the SEA's sole remit does not lie in "creating a single European market" or even the '1992-project'. Though the internal market is mentioned in the SEA and it formed an important

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[10] Jean De Ruyt, L'Acte Unique Européen: Commentaire, (Brussels, 1989). p.116.

[11] Wayne Sandholtz and John Zysman, "1992: Recasting the European Bargain", World Politics, 42 (1989), 95-128. Quotation p.116.; Hansard, 97 (7 May 1985), col.146.

focus of the IGC, this was not the source of the SEA's originality. The European Council had in fact endorsed the completion of the internal market six months earlier in Lord Cockfield's White Paper.[12] As discussed above, the SEA was more than its market-opening provisions.

Given the proliferation of the term 'single' in the late 1980s and the collapsing of complex events into a simple mid-decade 'relaunch' in much subsequent writing, it is also important to place the Single Act in its historical context. At the Milan European Council in June 1985, the heads of state and government took two major decisions, one by unanimity and the other by simple majority. First, by accepting the White Paper prepared by Commissioner Lord Cockfield, they unanimously committed the Community to completing the internal market by 1992. In itself this was a momentous decision, only subsequently overshadowed by the IGC and the Single Act it created. At the time, the decision to pass nearly three hundred pieces of legislation, reaching deep into the fabric of national economic and commercial policy, was (rightly) deemed a radical departure.

Second, the heads divided seven against three in favour of convening an intergovernmental conference to amend the existing Treaty of Rome. In June, the British Government was publicly outvoted for a second time in three years and, in mid-December 1985, it reluctantly agreed to endorse a number of intergovernmental bargains. The foreign ministers, who had been responsible for the negotiations, closed the conference in early 1986 and named their curious package of reforms the 'Single European Act'. After its ratification by

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[12] Giovanni Agnelli, "The Europe of 1992", Foreign Affairs, 68 (1989), 61-70. Quotation p.62.

the ten participating governments and the two new member states, the SEA came into force in July 1987.

Though within five years Prout was willing to compare the SEA with the UK's Glorious Revolution, it was not perceived as such in early 1986. The British Government appeared to agree, as only a junior FCO minister represented the United Kingdom at the symbolic signing of the Act. At the time, the Economist declared that the member governments had "laboured long to produce a mouse", a sentiment with which the federalist Altiero Spinelli agreed.[13] Despite this early reception, however, the Single European Act has proved a watershed in the development both of the European Community and the United Kingdom. Even the Economist has since changed its tune. With hindsight, the Single Act was a more fundamental change than expected, hence the value of understanding its origins.

What's in a name? contemporary codes

In the second half of the 1980s and the early-1990s, the British debate over the development of the Community was conducted in the rhetoric of 'Europe', replacing the earlier debate on the 'Common Market'. As a geographical term, 'Europe' - probably derived from the name of a princess in Greek mythology, seduced by Zeus on Crete - formally describes the sub-continent at the western end of the Eurasian landmass.[14] Between the first enlargement of the Community, which had ended the 'Europe of Sixes and Sevens'

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[13] "A Smiling Mouse", Economist, 7 December 1985, pp.57-8.
[14] Wallace, "Europe, which Europe?" in Transformation, pp.7-34.

in 1973, and the discovery after 1989 of 'more Europe' behind the former 'iron curtain', the term increasingly applied to the controversial institutional experiment known as the Community. To apply to the EC became to 'join Europe'.

In the UK, those debating the merits or otherwise of EC membership were originally classified as 'anti-Europeans' and 'Europeans'. Over time, however, the message behind these terms has shifted, codes have changed their meaning and groups have struggled to popularise the labels of their choice. 'Anti-Europeans' who oppose British membership of the Community or the latter's further development have tended to label their opponents as Europhiles, Eurofanatics or even Federasts, while appropriating for themselves the term Eurosceptics. 'Europeans' who favour membership of the Community have in turn tried to label their opponents Europhobes and anti-Europeans, while attempting to discover a respectable appellation for themselves, such as Eurorealist, without much success.[15]

Deeply implicated in the political struggle, these terms have often generated more heat than light, concealing subtle but important differences. These distinctions are important, however, for an understanding of the origins of the Single European Act. For the purposes of this thesis, the terms 'Anti-European' and 'European' proved too vague to be meaningful tools of analysis. Few individuals are truly opposed to the existence of the sub-continent of Europe, while geographically all citizens of EC member states are technically 'European'. Drawing on the public, rhetorical positions of key players during the mid-1980s, the thesis

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[15] Dominic Lawson, "Cracking the Tory code" in Financial Times, 3/4 October 1992, p.XX.

employs a specific rubric of terms to distinguish the variety of political positions.

The following categories are an attempt to draw lines in the seamless spectrum of opinions. As such, they represent a degree of abstraction and are based solely on the individuals' *public* rhetoric. The thesis posits five major categories: in decreasing opposition to the European Community, the positions are anti-Marketeer/anti-European, pro-Marketeer, pro-European, pro-Community, and federalist.

Anti-Marketeers/anti-Europeans opposed entry to the Common Market in the 1960s and early-1970s: a small, hard core have on principle remained opposed, despite a referendum in favour of retaining membership. The difference between anti-Marketeers and anti-Europeans lies in their reasons for opposing EC membership. Anti-Marketeers favour market forces, but not in the form of the (allegedly) corporatist and protectionist Common Market: they should not be confused with those holding an 'anti-market' position. Anti-European opposition stems from a deeper suspicion of other 'Europeans' and rests on, for example, implicit anti-French, anti-German or even anti-Catholic foundations.

Given the anti-Europeans' xenophobia, many affect an anti-Marketeer stance for tactical reasons. Hence the difficulty in differentiating the two. A handful of parliamentary anti-Marketeers/anti-Europeans exist in both major parties, including Sir Teddy Taylor and Bill Cash for the Conservatives, and Tony Benn and Peter Shore for Labour. In the early-1980s, Labour's official policy under Michael Foot was essentially anti-Marketeer (and 'anti-market'). Beyond Westminster, organisations such as the Anti-Common Market

League and the Common Market Safeguards Campaign, both of which appear to have now disbanded, espoused this position.[16]

Pro-Marketeers were originally a broad church, including all those who, with varying degrees of enthusiasm, accepted membership of the 'Common Market' in 1973. For the purposes of the thesis, the term is restricted to those who accepted entry on the grounds that the Community was simply a form of free trade area. In the 1980s, many pro-Marketeers accepted the internal market as the common market writ large, while resisting formal, institutional reform. Within the Conservative Party, John Biffen and Norman Tebbit espoused this position, while Thatcher's speech at Bruges in 1988 marked her return to a pro-Marketeer stance. Labour Party pro-Marketeers proved thin on the ground, but the official party line under Neil Kinnock gradually evolved through this to a pro-European stance.[17]

Pro-Europeans favour European cooperation in various policy areas, but not necessarily through the EC's structures or always with EC partners exclusively. They have therefore accepted formal progress beyond the common market on practical and functional grounds, especially to achieve ends no longer realisable at the national level alone.[18] Within the Conservative Party, individuals such as Sir Geoffrey Howe and Nigel Lawson have held this view: more importantly, the Thatcher Government expressed such a view in its mid-1984 Europe-the Future policy document.

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[16] Uwe Kitzinger, Diplomacy and Persuasion: How Britain Joined the Common Market, (London, 1973). pp.232-4.
[17] Ibid., p.202.
[18] Sir Fred Catherwood, Pro-Europe?. (Leicester, 1991).; interview with Lord (Geoffrey) Howe, ex-Chancellor of the Exchequer, -Foreign Secretary, and -Deputy PM; London.

Pro-Community opinion, a close relative of pro-Europeanism, favours the gradual development of the EC over other forms of integration, with its unique blend of intergovernmental and supranational elements. Such opinion has accepted the formal integration involved in creating new competences, empowering the European Parliament, revising the Treaty or even extending majority voting to new policy areas. Many British politicians have held this view, such as Edward Heath, Lord Soames, Geoffrey Rippon and Giles Radice in Westminster, and Christopher Prout, Ivor Richard and Christopher Tugendhat in the Community institutions. Beyond party-political circles, the European Movement based in London has espoused such a pro-Community opinion.[19]

Federalists advance explicitly federal solutions to the challenges of European integration, though they often disagree about the ultimate form of the federated system. For this thesis, federalism advocates an explicit demarcation of powers and responsibilities between two or more levels of public authority within a constitutional polity. Contrary to some recent usage, the term does not itself denote a specific point in the balance between the federal centre and the federated member states, cantons or *Länder*. The balances range from the decentralised Swiss federal state at one end of the spectrum, through the federal republics of Germany and Austria, to the more centralised United States of America at the other end. All four, however, are clear examples of federal polities. In Westminster, Hugh Dykes from the Conservative backbenches and most members of the Liberal Party espoused the federalist position, while Derek Prag in

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[19] Edward Heath, Old World, New Horizons: Britain, Europe and the Atlantic Alliance, (Cambridge, Ma: 1970). p.30.

the EP favoured this view. Outside Parliament, the Federal Trust has continued to advocate federal solutions, though not always calling for an explicit federation.

As mentioned above, these categories are based on public rhetoric and the thesis cannot determine individuals' 'real' reasons for adopting positions. Politicians may alter their political stance for personal ideals or principles, the pragmatic pursuit of specific interests or as tactical rhetoric for partisan purposes. What is clear, however, is that members of the three largest parties spanned the spectrum, although Labour was initially weighted towards the anti-Marketeer end, while the Conservatives since 1961 have increasingly tended towards the pro-Marketeer position.

Single Act historiography and theories of integration

Attempting an historical analysis of a contemporary subject such as the making of the SEA entails specific problems. Almost four centuries ago, Sir Walter Raleigh warned, shortly before his execution, that "whosoever in writing a modern history shall follow truth too near the heels, it may haply strike out his teeth".[20] Following at a relatively safe distance of almost a decade, this thesis mitigates the constraints of following the past 'too near the heels' with three distinct advantages.

First, as mentioned above, a decade is not so long that the participants have forgotten all the details of the period which might otherwise not survive. This is especially true

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[20] Sir Walter Raleigh, The History of the World, (1614). Quoted in A. Partington, ed. The Oxford Dictionary of Quotations, (Oxford, 1992). p.536.

if the individual is not willing or permitted to record personal insights for the public domain. Second, many of the political participants have now left the offices they held in the mid-1980s and are already reflecting on the period, drafting their preferred autobiographical versions of events. Last, operating at some distance, the thesis is able to judge some short- and medium-term impacts of the initiative to relaunch the Community and complete the internal market. Following both a 'first draft' of history in the press and a 'second draft' in academic journals, this research - despite the contemporary nature of the subject - is already able to draw on a significant body of literature attempting to discuss the dynamics of the making of the SEA.

After initial attempts simply to record the details of the treaty itself, the literature which the Single European Act generated over the last ten years has fallen into two main categories.[21] The earliest references, often from interested parties, have attempted to cast the SEA's creation into a usable, historical narrative. The second category tried to deal with the theoretical implications of the making of the SEA. These represent the beginning of what is becoming an extensive historiography on the origins of the Single Act.

Historiography of the making of the SEA

The first references to the SEA were early narratives which filtered into the secondary literature without addressing the

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[21] Juliet Lodge, "The Single European Act: Towards a New Euro-Dynamism", in JCMS, 24 (1986), 203-223.; Roy Pryce and Wolfgang Wessels, "The search for an ever closer union: a framework for analysis" in Pryce, ed. The Dynamics of European Union, (London, 1987), pp.1-34.

theoretical implications underlying their observations. Those of the Commission were the first and most prominent. Understandably they stressed the role of the Community institutions in the mid-1980s relaunch. Even before the ratification of the SEA, the European Communities Bulletin (published by the Commission) reported its President's perspective on the role of the institutions: "in 1985 we relaunched the large internal market" and now "it will be for us", namely the institutions, "to ensure that the twelve Member States are made aware of the implications".[22]

Even in the Commission's later analysis of the internal market's impact, Delors did not waste an opportunity to repeat the story, while subtly altering the narrative. Seeing that the member states "needed a common objective which could raise their sights above daily routine problems", "my colleagues and I in the Commission proposed to the Heads of State and Government and to the European Parliament that we should create a truly unified economic area in Europe by 1992".[23] Not only was he repeating the Commission's claim of ultimate responsibility, but, in contrast to his 1987 speech, Delors wrote the EP out of his story.

In his autobiographical Our Europe, Jacques Delors painted a more precise picture of his personal role in the making of the SEA. Shortly after becoming Commission President, he decided that the Community had to "return to the beginning of the process", namely the functional economic path of integration. With a "big majority" of the EP accepting his

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[22] EC Bulletin, Supplement 1/87, p.26. 18 February 1987. From the context of Delors' speech, the identity of the third person plural is clearly the two major EC institutions.
[23] Delors' introduction in Paolo Cecchini, 1992: the Benefits of a Single Market, (Aldershot, 1988). p.ix.

plan for the '1992–project', the "movement had been started". The latest story of how he had unleashed this "profoundly transformative force for integration" therefore sidelined not only the EP but also the member states.[24] The Commission is not alone in its attempts at self-publicity.

The European Parliament has also laid claim to an historical role in the early stages of the making of the SEA. One of the first detailed accounts of "this particular episode of reform" declared unequivocally that the SEA's distinguishing feature was "its initiation by an elected Parliament". In a memorial to Altiero Spinelli, the EP posited an historical narrative of the "extraordinary venture of the European Parliament which began with its institutional initiative of 1981 and led" to the SEA.[25] Most subsequent narratives have disregarded the EP's claims for a role, while accepting the Commission's claims.

Private sector actors, normally reticent about admitting direct political influence, have also stressed the primacy of the contribution from industry and commerce in the EC's relaunch, though more modestly than the supranational politicians. Wisse Dekker, managing director of Philips, stressed the 1980s relaunch as an 'industrial' phase in contrast to the 'political' phase of the 1950s.[26] He also reminded his audience that in late 1984 he had proposed the

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[24] Jacques Delors, Our Europe: the Community and National Development, (London, 1992). pp.25–6,35.

[25] Richard Corbett, "The 1985 Intergovernmental Conference and the Single European Act" in Pryce, ed. Dynamics, quotation p.267.; European Parliament, Battling for the Union: Altiero Spinelli, (Luxembourg, 1988). p.7.

[26] Wisse Dekker, quoted in Andrew Moravcsik, "Negotiating the Single Act: National Interests and Conventional Statecraft in the European Community", Harvard University Center for European Studies Working Paper 21, (Cambridge MA: 1989). p.5.

completion of the Community's domestic market in what he had termed the '1990 project'.[27]

Giovanni Agnelli, chairman of Fiat, echoed Dekker's emphasis on private sector leadership, arguing that it had been the "entrepreneurs and corporations ... keeping the pressure on politicians" that led to the making of the SEA. The relaunch of the mid-1980s was "not so much the result of a utopian dream as ... the political recognition of economic reality" as expressed by corporate interests. Both these writers outlined narratives stressing the initiative of corporate actors in this episode rather than national or supranational political institutions. The anecdotal evidence of leadership from the private sector, with businessmen acting as 'policy entrepreneurs', was further entrenched in Michael Calingaert's research and Helen Wallace's explanation of developments "auf dem Weg zum Binnenmarkt".[28]

In contrast to the views outlined above, the British Government has implicitly suggested a different narrative of events.[29] The British Government's subtext has been its own singular contribution to European free trade, with the SEA as little more than a facilitating document. Though the British Government did indeed push for the internal market, this did not exhaust the provisions of the Single Act: in fact some of

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[27] For the original '1990-project', see Wisse Dekker, Europe 1990: An Agenda for Action, (Eindhoven, 1984). Copies were provided by NV Philips, but originally presented at the Centre for European Policy Studies (CEPS) in Brussels, 1985.
[28] Agnelli, "Europe of 1992", p.62.; Michael Calingaert, The 1992 Challenge from Europe: Development of the European Community's Internal Market, (Washington DC, 1988).; Helen Wallace, "Europäische Integration", in Martin Mantzke, Jochen Thies and Wolfgang Wagner, eds. Auf dem Weg zum Binnenmarkt, (Bonn, 1989). pp.127-134.
[29] For example, Hansard, vol.93 (5 March 1986).

its more distinguishing features were agreed against the better judgement of the Thatcher regime. Due to governments' electoral imperatives, which do not normally allow the admission of defeats, later official lines need to be weighed against actions at the time.

Beyond recounting its own contribution, the British Government has also tended to concentrate on the role of other national governments in its analysis, thereby excluding supranational institutions and private sector actors alike. Most other member governments, supported by their national bureaucracies, have probably done the same. If national governments have commissioned 'official histories' of the 1985 IGC and creation of the SEA, the opening of the official records next century will probably confirm this point.

The various authors of these 'first drafts' of history have presented a series of contradictory perspectives on the nature of mid-1980s' European integration. As participants, they crafted narratives which stressed their roles in the making of the SEA, but these do not add up to a coherent analysis. To be fair, most initial accounts made only cursory observations on or passing references to the detailed 'making of the SEA'. The student of the period, however, must be wary of such self-publicising in a competitive political arena.

Donald Puchala has suggested a useful metaphor for the study of integration generally, a metaphor in which a group of blind individuals attempt to describe an elephant. With each one examining only one part of the elephant, for example the ear, tail or trunk, their different perspectives lead them to different descriptions of the same phenomenon. Over

the making of the SEA, each of the above commentators appears to have examined only the part of the 'elephant' closest to them. To complicate matters, the 'elephant' lumbered past them at considerable speed in late 1985.[30]

Moreover, descriptions were informed by expectations: commentators, such as the Economist, described it as a 'mouse' at the time.[31] This thesis, however, attempts to weigh the various interpretations against the facts and theories available as a whole. Each of the above first drafts captured something of the essence of the 'elephant', but none are complete stories of the making of the SEA. This thesis, by focusing on the experience of one member state, will attempt to examine the process of integration more comprehensively.

Integration theories

The latent confusion over who were the key participants continued into the next phase of the historiography; the 'second draft' as found in the specialist journals and academic literature. In their ground-breaking study of the dynamics of 'European union' for the Federal Trust, Roy Pryce and Wolfgang Wessels first noted the apparent relevance of the making of the SEA to an earlier theoretical debate. Drawing on participants' narratives, they concluded that neo-functionalist theory had been "unfairly ... consigned to the dustbin", and argued that the events of the mid-1980s had shown the continuing importance of the Commission and non-

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[30] Donald Puchala, "Of Blind Men, Elephants and International Integration", JCMS, 10 (1972), 267-284.

[31] Economist, 7 December 1985, pp.57-8.

governmental actors. They did not, however, attempt to rescue the neo-functionalist school of thought from the bin themselves, choosing simply to narrate, *wie es eigentlich gewesen ist*, the story of 'European union' in which the SEA was only the latest chapter.[32]

Not until 1989 did the first contributions mark the full shift from historical narrative towards more theoretical analysis of the issue. One of the key contributions applied both sides of the theoretical debate to the SEA's making. Though Wayne Sandholtz and John Zysman's pioneering article criticised the neo-functionalist approach to integration and rejected the structuralism of neo-*Realism*, their contribution contained many elements from both, causing a degree of theoretical confusion. One reason was a failure to differentiate among the roles which different actors played. They relied therefore on a loose framework which incorporated the Commission, transnational business and state actors. Another was the failure to distinguish two different phenomena in the integrative process, namely informal integration and formal codification. Their ground-breaking article did, however, introduce more rigourous analytical frames of reference to the various competing explanations for the making of the SEA.[33]

The added value of Andrew Moravcsik's research, which also first emerged in 1989, was to highlight further the theoretical assumptions which underlay remarks on the making of the SEA. He also posited the first coherent response to the implicitly neo-functionalist tide of commentary. He

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[32] Pryce and Wessels, "Framework for analysis", p.2.
[33] Sandholtz and Zysman, "1992".

identified the underlying trend of analysis and diagnosed this implicit theory as a variant of neo-functionalism which he stylised as 'supranational institutionalism'. By outlining the assumptions of earlier commentators, such as Calingaert, Dekker and Helen Wallace, Moravcsik performed a valuable service in the increasingly confused debate.[34]

Though the underlying neo-functionalism was now evident, the authorities to which Sandholtz, Zysman and Moravcsik pointed often only dealt with theory in passing and were therefore little more than 'straw men'. Most had implied a neo-functionalist hypothesis without outlining a coherent theory able to carry the full burden of analysis. The two 1989 American articles, however, marked a revitalisation of the theoretical debate which has rumbled on ever since.

In the debate over integration in western Europe, two major schools of thought have struggled for theoretical hegemony: the classic theory of neo-functionalism and the revisionist backlash of neo-*Realism*. The clash reached its peak in the later-1960s and early-1970s, before the contest subsided a decade later when the neo-functionalists abandoned the field. The surprising success of the SEA revitalised this debate in the later-1980s, but neither of the two classic theories could fully explain the SEA's origins, because neither had predicted a 'relaunch' in the Community's fortunes. The impact of the Single Act therefore raised questions about the value of such grand theory itself.

As Terry Eagleton has explained, the need for theoretical reassessment does not simply "emerge at just any historical

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[34] Moravcsik, "National Interests and Statecraft", revised as "Negotiating the Single European Act" in International Organization, 45 (1991), 651-688.

moment": only when all "the traditional rationales ... have broken down" under the weight of contradictory evidence does a body of revitalised theory become "both possible and necessary".[35] The making of the Single Act had therefore necessitated a review of the two theories' applicability. As their modifying 'neo-' prefixes denote, both schools were in fact derivatives of earlier bodies of thought. This introduction will place the theories of neo-functionalism and neo-*Realism* in context. Though no school of thought is a complete monolith, each of these two contains a relatively coherent core of shared conceptions and analytical assumptions, thereby allowing a degree of classification.

Neo-functionalism

Neo-functionalism has essentially two sources, both predating the Second World War and with surprisingly strong links to the United Kingdom; the functionalism of David Mitrany and the wider corpus of federalist thought. Building on the Idealist tradition, Mitrany's functionalism comprised an attempt to prevent future international conflict through the functional integration of national societies. First conceived in the relative peace of Europe after the Great War and under the League of Nations, and drawing on the "traditional pragmatism of English politics", Mitrany's functionalism outlined a universal process that would overcome the causes of war. The advent of a second war in

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[35] Terry Eagleton, The Function of Criticism, (London, 1987).; quotation p.90. 'Theory' is an attempt to explain 'reality': as such, *Realist* theory and its derivatives have no monopoly purchase on explanations of 'reality', despite the evident linguistic connotations.

Europe challenged Mitrany's assumptions and led him, while employed by the Foreign Office, to re-formulate his ideas for a working peace system.[36]

Federalism provided neo-functionalism's second strand. Federalists in western Europe in the late-1930s, for example members of the Federal Union, sought to apply their formal principles to the inter-state system under the auspices of the League of Nations. During the second continental war in Europe, the Federal Union reached the "height of its effectiveness" and created a wartime Research Institute in the United Kingdom. Under William Beveridge's chairmanship, the Institute prepared for the "post war federation of Europe" as a remedy to fratricidal conflict. It rendered London the heart of Europe's federal studies, feeding ideas and support into the post-war European Movement, including to the Italian anti-Fascist Altiero Spinelli. With the apparent 'failure' of the European nation state and its inter-state system, federalist ideas soon gained greater acceptance across the liberated continent than in the undefeated UK.[37]

Neo-functionalism was essentially a post-war synthesis of these schools, with the balance between the two varying by writer. The blend of functionalist and federalist theories

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[36] David Mitrany, The Functional Theory of Politics (reprint) (London, 1975). Quote p.48.; Mitrany, The Progress of International Government, (London, 1933).; Mitrany, A Working Peace System, (Oxford, 1943).

[37] Michael Burgess, Federalism: a dirty word?, (London, 1988).; Burgess, "Empire, Ireland and Europe: a Century of British Federal Ideas" in Burgess, ed. Federalism and Federation in Western Europe, (London, 1986). pp.127-52. Quotation p.143.; Altiero Spinelli, "The Growth of the European Movement Since World War II" in C. Groves Haines, ed. European Integration, (Baltimore, MD: 1957). pp.38-40.; Burgess, "Federal Ideas in the European Community, 1981-1984" in Government and Opposition, 19 (1984), 339-47.

found practical application in the efforts and rhetoric of policy-makers such as Jean Monnet and Walter Hallstein in the 1950s. Their efforts over the European Coal and Steel Community (ECSC) and prescriptions for a 'federal-functionalist' approach to integration were duly theorised by Ernst Haas and those who came to be known as neo-functionalists. The intimate relationship between the academic theorists and the Commission practitioners was remarkable, reinforcing one another while pursuing an explicitly normative agenda. This apparent strength would ultimately leave neo-functionalism open to criticism when practice diverged from predictions.

Haas developed his neo-functionalist theories on the basis of the initial 'uniting of Europe' through the ECSC, drawing on the pluralist domestic analyses then prevalent in the American social sciences. With the negotiation of the two Treaties of Rome in 1957, creating the European Economic (EEC) and Atomic Energy (EAEC) Communities. Haas extrapolated a complete theory of international integration solely from western Europe's experience. Neo-functionalist analysis duly reached the highpoint of its interpretive supremacy in the early-1960s with the EEC's early success in establishing a common market.[38]

While declaring that the "nation-state is in full retreat in Europe" and classifying the EEC's "terminal condition" as a "*political community*", Haas identified distinguishing

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[38] Jean Monnet, Memoirs, (London, 1978).; Ernst Haas, The Uniting of Europe: Political, Social and Economic Forces, 1950-1957, (Stanford, 1957).; Leon Lindberg, Political Dynamics of European Economic Integration, (London, 1963).; Haas, Beyond the Nation State: Functionalism and International Organization, (Stanford, 1964).

features in the integration process, the most important of which he called 'spillover'. Though often redefined, spillover according to Haas was the expansive logic of sectoral integration: "from a commitment to unity which is only partially implemented" comes the driving force for further integration. At their height, neo-functionalists optimistically revealed that the political dynamics of economic integration would lead Europe ineluctably 'beyond the nation state'.[39]

The new post-war optimism, however, was soon challenged on two fronts. From the functionalist perspective, Mitrany criticised the federal "fallacies" of neo-functionalist theory, claiming that territorial blocs such as the EEC were merely 'superstates' in the making. Unlike the global United Nations, regional 'superstates' would not resolve the functionalists' dilemma over preventing conflict in the interstate system. For Mitrany, "regionalism as such has nothing to contribute towards [avoiding] the nuclear nightmare". Instead, the end-point of the process should have been a universal system of functionally-integrated states in which war became operationally impossible. The neo-functionalists, however, demonstrated their shared common ground with the federalists over both the processes and results of integration, namely the creation of regional blocs of integrated states.[40]

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[39] Haas, "International Integration: the European and the Universal Process", International Organization, 15 (1961), 366-392. Quotation p.366.; Haas, Uniting, p.243.

[40] Mitrany, "The Prospect of Integration: Federal or Functional?", JCMS, 4 (1965-6), 119-149.; Mitrany, Functional Theory, p.228.; Paul Taylor, "The Concept of Community and the European Integration Process" in JCMS, 7 (1968), 83-101.

Neo-*Realism*

The more telling criticism of the neo-functionalists came from Stanley Hoffmann in a special issue of Daedalus. At the height of the neo-functionalists' analysis, Hoffmann's article sounded a discordant note. As with much early theorising about integration, his analysis was closely related to the EEC's contemporary development, in this case its internal difficulties. Hoffmann argued, however, that "even without de Gaulle, the differences [within western Europe] ... would have slowed down integration". In effect, there was a "race, between the logic of integration set up by Monnet and analysed by Haas, and the logic of diversity" inherent in the state-centric international system.[41]

Hoffmann's analysis was based on the "sad and simple" observation that states "remain the basic units in spite of all the remonstrations" to the contrary. He dismissed the theorising of the functionalists, neo-functionalists and federalists as being "at best, like a spiral that coils *ad infinitum*". He challenged their regional analyses from both above and below, with concepts fundamental to the state-centric *Realist* analysis of the international system. In short, he appealed 'upwards' from the regional EEC bloc to the anarchic international system, constantly in a state of war: he then appealed 'downwards' from the EEC to the stubbornly unitary European nation states.[42]

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[41] Stanley Hoffmann, "Obstinate or obsolete?: the fate of the nation state and the case of Western Europe", Daedalus, 95 (1966), 862-915. Quotations pp.895,881.

[42] Ibid., quotations pp.863,909.; Hoffmann, The State of War, (New York, 1965).

predict the SEA's impact, despite the EC's steady but incremental development, posed both the neo-*Realists* and regime theorists with a contradiction "between what we should expect from conventional theory and what we actually observe". Despite persistent modifications to *Realism*, the various theories had been unable to predict a relaunch of the Community's fortunes in the mid-1980s.[53] To their detriment, the neo-*Realist* theorists had both ignored the persistent integration identified in the policy studies literature and failed to pursue the transnational research programme outlined by Keohane and Nye. By reflecting solely on the nation state, they mispredicted the Community's development.

The failure of the 'traditional rationale' once again rendered a theoretical re-evaluation both 'possible and necessary'. The earliest attempts to describe the events of the mid-1980s, as detailed in the historiographical section above, were mostly empirical observations, or only fragments, of the 'making of the SEA'. Even as passing references, however, they made judgements regarding European integration and the relevance of certain participants. In the light of these early assertions, Pryce and Wessels concluded that neo-functionalist theory had been unfairly 'consigned to the dustbin'. But not until Sandholtz and Zysman's article was there an attempt at a theoretical analysis of the issue.

Sandholtz and Zysman's attempt to explain the internal market project rested on an uncomfortable alliance of causes linking Waltz's structural-*Realism*, Keohane and Nye's inter-dependence regime theory, and the neo-functionalists'

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[53] Keohane and Hoffmann, "Conclusions: Community politics and institutional change" in William Wallace, ed. The Dynamics of European Integration, (London, 1990).pp.276-300. Quote p.282.

In reaction to the failures of inter-war federalism and League of Nations idealism, and to the Cold War between the superpowers, writers such as Hans Morgenthau, Friedrich Meinecke and John Herz returned to more traditional concepts. Drawing on a *Realpolitik* which Niccolo Machiavelli first expounded, they recast the debate, stressing the preoccupation of states with security in an essentially anarchic international system.[43] The ensuing *Realism* swiftly became the predominant, early Cold War perspective of Anglo-American international relations theory. Hoffmann echoed their analyses in dismissing the notion that sovereign nation states would imperil their status and security by allowing an slide towards an ill-defined, supranational community.[44]

While neo-functionalists drew on a pluralist, domestic analysis of the national state, Hoffmann employed a unitary model of the state, rendering it a uniquely powerful and security-orientated actor in the international system. As such, states chose when and with whom to cooperate, and decided which 'low', technical sectors to place under joint administration. In line with their national interests, states would simply not allow the unchallenged evolution of supranational institutions or their encroachment on areas of 'high' politics, such as national security.

Hoffmann's *Realist*-based critique was timely, in that de Gaulle's nationalistic style of policy-making was causing the allegedly ineluctable movement 'beyond the nation state' to

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[43] Hans Morgenthau, Politics among Nations, (New York, 1948).; Friedrich Meinecke, Machiavellism, translated by Douglas Scott, (New Haven, CT: 1957).; John Herz, Political Realism and Political Idealism, (Chicago, 1951).

[44] Robert Keohane, "Neorealism and world politics" in Keohane, ed. Neorealism and its Critics, (New York, 1986). pp.1-26.

falter. This particular historical moment made the recasting of neo-functionalist theory, in Eagleton's terms, 'both possible and necessary'. In a special issue of International Organization, Haas duly confessed the dangers of pre-theorising, with its "normative assertion and systemic generalization", but the neo-functionalists did not (yet) concede the field.[45]

Instead, Leon Lindberg and Stuart Scheingold responded to the challenge by offering more sophisticated versions of neo-functionalist theory and spillover, while adding the independent variable of political leadership.[46] Downgrading neo-functionalism's universal applicability in Europe's Would-be Polity, they also revealed that the process of spillover was less automatic than previous writings had suggested. This allowed the theoretical 'space' to introduce concepts such as forward linkage, spillback, equilibrium, and even complete systems failure. Lindberg and Scheingold also produced a 'fever chart' to demonstrate the 'stop-go' nature of European integration. This showed that the process was less unilinear or deterministic than expected and that "contradiction and crisis are basic conditions of the process of integration", but they did not fully explain why.[47]

By 1972, neo-functionalist theory had reconstructed itself and many expected the EC's impending enlargement, with its

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[45] Haas, "The study of regional integration: reflections on the joy and anguish of pretheorizing" in International Organization, 24 (1970), 607-646. Quotation p.627.

[46] Leon Lindberg and Stuart Scheingold edited the special issue of International Organization 24 (1970), subsequently published as Regional Integration: theory and research, (Cambridge, MA: 1971).

[47] Lindberg and Scheingold, Europe's Would-be Polity: Patterns of Change in the European Community, (Englewood Cliffs, NJ: 1970). pp.104-105,137-140.

geographical spillover, to "inject new vigor into the Community". Instead, the addition of new members (including, and especially, the UK) and the economic and monetary crises of the early-1970s tipped the development of the Community into a veritable "dark age". As global forces were exogenous to the regional system, arguably the neo-functionalists need not have recanted so completely. In 1975, however, the neo-functionalist master declared the obsolescence of regional integration theory, tacitly accepting Hoffmann's 'sad and simple' observation on the primacy of nation states and the sisyphean nature of west European integration.[48] As the neo-functionalists deserted the field, they left the neo-*Realists* with academic hegemony. As the 'non-dynamic' of European integration became increasingly apparent, these theorists then abandoned study of the EC completely and turned to what they believed would be more fruitful areas for international relations theorising.

The 'dark age'?

In the absence of legions of theorists, many west European researchers lowered their sights and studied specific policy areas and individual EC institutions, rather than concepts of regional integration. Eventually, the collection of such policy studies demonstrated that the general "collapse of integration theory [did] not necessarily carry with it the

[48] Hoffmann, "The European Community and 1992" in Foreign Affairs, 68 (1989), 27-47.; Haas, The Obsolescence of Regional Integration Theory, (Berkeley, 1975).; Hoffmann, "No trumps, no luck, no will: gloomy thoughts on Europe's plight" in James Chace and Earl Ravenal, eds. Atlantis Lost: US-European Relations after the Cold War, (New York, 1976). pp.1-46.

collapse of European integration". Instead, processes of spillover and informal integration continued, but the theorists were no longer interested in developments.[49] Meanwhile, the heirs of the neo-*Realist* position pursued several different paths in attempting to fashion a grand theory of world politics. While Kenneth Waltz persevered with a modified neo-*Realism* based on the structure of the international system, others investigated the phenomena of transnationalism and international regimes.[50]

In a challenge to state-centric neo-*Realism*, Robert Keohane and Joseph Nye examined the "implications of transnational relations for the study of world politics", informed by Nye's functionalist roots. The range of contributions to their pioneering project demonstrated the potential scope of the new paradigm, based implicitly on disaggregating the nation state. In their study, they broadly defined world politics as the sum of transgovernmental, transnational and interstate relations. Concluding that governments would not always win direct confrontations with transnational actors and that the latter could even effect the 'high' politics of security issues, Keohane and Nye outlined a plan for research.[51] Over

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[49] Helen Wallace, William Wallace and Carole Webb, eds. Policy-Making in the European Communities, (London, 1977).; Geoffrey Edwards and Helen Wallace, The Council of Ministers of the European Communities and its President-in-Office, (London, 1977).; Emil Kirchner and Konrad Schweiger, The Role of Interest Groups in the European Community, (Farnborough, 1981).; Wallace, "Europe as a Confederation", p.57.

[50] Kenneth Waltz, Theory of International Politics, (Reading, MA; 1979).

[51] Robert Keohane and Joseph Nye, Transnational Relations and World Politics, (Cambridge, MA; 1971). Quotation p.xi. See also their "Conclusion", pp.371-98 and "Transgovernmental Relations and International Organizations", in World Politics, 27 (1974), 39-62.; Nye, Peace in Parts, integration and conflict in regional organization, (Boston, MA; 1971).

the next decades, however, few apparently chose to follow this particular path.

Another track stemming from the neo—*Realist* hypothesis led to the rise of 'regime theory' as a tool to explain international cooperation, while explicitly "adapting *Realism*, and attempting to go beyond it, rather than rejecting it". Through 'international regimes' in an interdependent world, unitary states developed patterns of cooperation within the anarchic world system, without submitting to supranational bodies or losing their distinctive nature as self—interested states. Keohane discovered that such patterns of cooperation among states persisted even after the decline of the hegemonic order in which they were established.[52]

Of these two theoretical responses to global politics, the focus on interstate regimes appeared the more fruitful. Keohane and Nye's brief flirtation with transnationalism ended and the study of interdependence duly set the research agenda. Following the collapse of integration theory and of beliefs in Europe's exceptionalism, many referred to the increasingly intergovernmental and fragmented EC as simply another interstate regime.

The Single European Act and revitalised theory

A decade later, the Single European Act revitalised the theoretical debate over the Community. The failure to

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[52] Stephen Krasner, ed. International Regimes, (Ithaca, NY; 1983).; Keohane and Nye, Power and Interdependence: World Politics in Transition, (Boston, MA; 1977).; Keohane, "Theory of World Politics", in Keohane, ed. Neorealism, pp.158—203, quotation p.160.; Keohane, After Hegemony: Cooperation and Discord in World Political Economy, (Princeton, NJ; 1984).

emphasis on the importance of supranational actors. First, they identified "changes in the international structure" of the interdependent world economy as the necessary trigger for the relaunch: then they stressed the role of elite bargains and the Commission's policy entrepreneurship as "sufficient" causes. Though dismissing the validity of both integration theory and domestic political analyses in explaining the SEA's making, they had clearly employed neo-functionalist aspects of both to explain their elite bargains.[54]

In contrast, Moravcsik developed a critique of the underlying neo-functionalist trend, stylising the stress on the Commission and transnational business as a form of 'supranational institutionalism'. Having dismissed the latter, while also distancing himself from Waltz's modified structural *Realism*, Moravcsik outlined an 'intergovernmental institutionalist' approach which retained several key neo-*Realist* hypotheses. Chief among these was the primacy of the national government as a unitary actor on the world stage. Though acknowledging that the state was not simply a 'black box' and suggesting a selection of other paradigmatic explanations, Moravcsik did not lift the lid to peer inside the 'box' himself.

By arguing that domestic politics might act as a transmission belt for structural shifts and economic interdependence, however, Moravcsik blended interdependence and neo-*Realist* hypotheses more clearly than Sandholtz and Zysman's rather confused analysis. He therefore maintained the primacy of national governments and their relative power in the process of systemic change, though expressed more

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[54] Sandholtz and Zysman, "1992".

subtly as 'policy preferences' rather than national interests. He also called for further research into the national politics which underpinned each set of national policy preferences. Though persuasive, Moravcsik's 'inter-governmental institutionalism' failed to address a number of peculiarities about the interaction of Community member governments. By outlining the implicit assumptions of earlier commentators, however, he performed a valuable service in the accelerating debate over revitalised theory.

Analysing the 'making of the SEA' with an approach integrating their regime and modified neo-*Realist* theories, Keohane and Hoffmann have subsequently claimed to be among the first to take "neofunctional theory seriously" by asking "whether its insights may help us to understand the Europe of the 1980s".[55] Though discovering applications for the concept of spillover, they concluded these would only obtain after an intergovernmental bargain, such as the SEA, had been cast: though "perhaps generated in part by prior spillover pressures," such bargains were "by no means preordained by them". They therefore concluded that the causes of systemic change could not be explained by neo-functionalist theory.[56]

Though reserving judgement on the theoretical obsolescence of their neo-*Realism* itself, they admitted growing doubts "that any theory can perfectly predict strategic behaviour of states". They argued that a theory had not been "falsified", however, if "the conditions for the operation of the theory

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[55] Keohane and Hoffmann, "Institutional Change in Europe in the 1980s" in Keohane and Hoffmann, eds. The New European Community: Decisionmaking and Institutional Change, (Oxford, 1991). pp.1-39. Quotation p.10.

[56] Keohane and Hoffmann, "Conclusions", in Wallace, ed. Dynamics, quotation p.293.

are simply not met": instead the theory had merely proved "irrelevant to the situation".[57] But if a general theory only operates when the conditions are right, then its explanatory power is drastically reduced, as the neo-functionalists discovered in the early-1970s. Moreover, a general theory on state behaviour can only be modified to a certain extent in the light of contradictory evidence before the modifications transform that theory beyond recognition. If neo-*Realism* was irrelevant to state behaviour in the EC in the 1980s, then alternative approaches are required.

After this initial debate, the contemporary nature of the subject has limited the number of responses to the modified neo-*Realist* analysis. Stephen George outlined a strictly structuralist approach to the relaunch of the mid-1980s, explaining the underlying reasons for liberalisation in the form of the internal market project. But this approach was not capable of bearing the full burden of analysis for the timing or content of the SEA. The structuralist approach, as Sandholtz and Zysman also concluded, may indeed provide an understanding of background causes, but it fails to answer important questions. Martin Holland has recently concluded that the "case for the re-evaluation of neofunctionalism is strong", though his rather vague attempt does not offer a complete explanation of the making of the Single Act.[58]

More recently George provided a partial, neo- functionalist analysis of the period which appears extremely promising. While calling for a model to combine insights from both

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[57] Ibid., quotation pp.297-299.

[58] Stephen George, The European Community: a Structuralist Perspective, Sheffield Paper in International Studies No.5., (Sheffield, 1990).; Martin Holland, European Community Integration, (London, 1993). Quotation p.20.

neo–*Realism* and neo–functionalism, the paper was limited to a close application of the classical neo– functionalist approach to the area of high technology. In the latter policy area, as this thesis also suggests, elements of the original neo–functionalist theory appeared applicable for the early–1980s. In contrast to Sandholtz and Zysman, George's sectoral application of neo–functionalism was able to answer more of the detailed questions about the mid–1980s.[59] But all the studies so far have proved unable to answer the two questions posed at the start of this chapter: why did an IGC take place in 1985, and why did the member governments create the SEA in the form that they did?

In retrospect, it is clear that neither of the two classic theories explain the origin of the Single Act fully, a fact which Sandholtz, Zysman, Moravcsik and George have all acknowledged. One reason for this, as in the example of Moravcsik's research, is that the commentators often failed to distinguish two different phenomena in the integrative process, namely formal codification and informal integration. As neither the neo–*Realist* nor the neo–functionalist arguments alone have proved wholly persuasive regarding what happened in the 1980s, it is possible that alternative explanatory models will be required for the different phenomena and perhaps even for individual policy areas.

To test this proposition, the thesis will therefore enter the debate through an empirical analysis and from the perspective of one EC member state. It will divide the

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[59] Stephen George. "Supranational Actors and Domestic Politics: Integration Theory Reconsidered in the Light of the Single European Act and Maastricht", Paper delivered at the 1993 Political Studies Association Conference, Leicester UK.

'making of the SEA' into two separate episodes; first, the process of informal and evolutionary integration from 1979 to mid-1984; and second, the formal process of codification from then until the signing of the SEA in early-1986. The thesis will then conclude with a theoretical endeavour in the light of this dual investigation, ultimately linking a policy studies approach with an explicitly theoretical one. Though unable to fill the existing lacuna with a new 'grand theory of integration', the thesis intends to make a modest contribution to the debate on revitalised theory.

Chapter One

The Anatomy of a State: the United Kingdom

Conflicting analyses of the European Community, the behaviour of its member states and the process of integration differ primarily over perceptions of the state itself. This thesis contends that a more precise understanding of the nature of the European state is essential to comprehending its role within the EC generally. Chapter two will start with a brief analysis of the ways in which states have been treated in the relevant theoretical literature, before providing necessary background for the thesis. For the United Kingdom, this will consist of its recent historical context and a model for disaggregating and understanding it as an EC member state. The latter model is based primarily on a combination of the 'arena' approach advocated by Grant Jordan and Jeremy Richardson; the 'core executive' and 'policy network' models advanced by Patrick Dunleavy, D. Marsh and R.A.W. Rhodes; and the transnational paradigm of Robert Keohane and Joseph Nye.[1]

The state as a unit of analysis sits uncomfortably between domestic politics, with its model of a pluralist state, and the study of international relations with its assumption of a unitary state. From different perspectives, the EC member state fits both models: on the one hand, viewed from a

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[1] Grant Jordan and Jeremy Richardson, British Politics and the Policy Process: an Arena Approach, (London, 1989).; Patrick Dunleavy and R.A.W. Rhodes, "Core Executive Studies in Britain", Public Administration, 68 (1990), 3–28.; D. Marsh and R.A.W. Rhodes, Policy networks in British government, (Oxford, 1992).; Keohane and Nye, Transnational Relations.

domestic perspective, the national state is clearly a fragmented institution, with government ministers reacting to societal pressures and interest groups, through policy networks, in a relatively open political system. Such domestic analysis focuses on the 'vertical' relationship between the national society and the nation state.

On the other hand, from an international perspective, the state at first appears much more unitary in its discourse with other states. As each government minister rehearses a coordinated national position on the world stage, the state appears to speak with one voice, a perception which the national media tend to strengthen. The rise of summitry has in turn reinforced the head of government's role as sole spokesperson for the nation, enhancing the perception of a unified state. In contrast to domestic analyses, the international perspective focuses mainly on the 'horizontal' relations between states and their governments.

The thesis contends that the contemporary EC member state in fact displays a certain duality in its behaviour. Instead of a choice between two opposing perspectives of the state, research into the EC requires a synthesis of the two, combining elements of both the horizontal and vertical perspectives. At different stages of the political process and over different issues, the individual member states will therefore appear both pluralistic and unitary by turn.

To disaggregate the nation state, though second nature to the student of domestic politics, is immediately to challenge one of the *Realists'* implicit assumptions, namely that the state is a unitary actor. Many neo-*Realists* have suggested more sophisticated analyses of inter-state behaviour than

that predicated solely on relative power and the structure of the international system, such as Keohane and Hoffmann's modifications to take account of governmental policy preferences. Though effectively linking domestic politics to the world economy, existing studies retain the implicit hypothesis that the governments themselves are unitary actors and sole gatekeepers for domestic interests.[2] In line with these studies, Moravcsik's revisions of the neo-*Realist* position attempted to add the vertical relationship of national state-society interactions to horizontal inter-state relations among public authorities in the EC. As such, Moravcsik's 'intergovernmental institutionalist' approach and 'liberal intergovernmentalist' hypothesis may satisfactorily explain relations in global regimes such as the United Nations' General Agreement on Tariffs and Trade (GATT) and the west's Organisation for Economic Cooperation and Development (OECD), where vertical society-state relations are more distinct from horizontal inter-state relationships.[3]

The applicability of Moravcsik's approach to the European Community is less convincing, because the national societies are not as insulated from one another as those in truly global regimes. The apparently unitary nature of the governments is undermined because ministries for foreign affairs (MFAs) and their embassies are no longer the sole

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[2] Peter Gourevitch, Politics in Hard Times: Comparative Responses to International Economic Crisis, (Ithaca, NY: 1986); Peter Katzenstein, Small States in World Markets, (Ithaca, NY: 1985).

[3] Moravcsik, "Preferences and power in the European Community: a liberal intergovernmentalist approach", JCMS, 31 (1993), 473-524.; Moravcsik, "Disciplining Trade Finance: the OECD Export Credit Arrangement", International Organization, 43 (1989), 173-205.

interlocutors and the 'dialogue between states' is complemented by exchanges among entities other than nation states. The openness of west European societies, population density of the region and growing ease of communications challenge assumptions about classic inter-state relations.[4]

The synthesis used in this thesis will rely more on the pluralistic than the unified conception of the state. But it will also revive aspects of Keohane and Nye's mid-1970s' transnational research project, adding three other dimensions (two horizontal and one 'diagonal') which domestic political models often overlook in their purely national focus. First, a web of horizontal 'society-society' contacts between societal actors and policy-networks in different member states increasingly complements their vertical state-society relations within each country. Whereas interest groups usually focus their attention on their national government, in certain policy areas they have found that coordinating their approach with interest groups in other member countries can improve their collective influence. Though the interest groups remain national actors with a national focus, the transnational network improves their ability to function within the policy community.

Second, within the traditional diplomatic 'dialogue between states', the disaggregated model of the state reveals that there are at least two distinct levels of interaction. Conventional intergovernmental communication occurs formally among the 'states', that is the inner foreign policy-making cores comprising prime ministers' offices, MFAs and finance ministries. Outside the core executive, however, other

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[4] Moravcsik, "Negotiating the SEA", p.48.; Adam Watson, Diplomacy: the Dialogue between States, (London, 1991).

members of the states' civil, military and diplomatic services, and its public agencies - all sub-governmental fragments of the 'state' - interact less formally with their counterparts in other 'outer' executives. In Keohane and Nye's terminology, this interaction is 'transgovernmental' in nature.[5] It involves state office holders but is not always coordinated to pursue the express interests of core executive actors. Between fragmented west European nation states, responsible for an increasing number of policy areas, trans-governmental contact has increased exponentially.

Last, societal actors increasingly pursue their interests directly with foreign governments, sub-government units or EC institutions themselves. Interest groups exhibit the clearest examples of such 'diagonal' transnationalism, especially in relations with the EC institutions. British companies with regional interests and transnational business groups with European subsidiaries also find themselves conducting relations with other European public authorities. Such business groups, more than business interest groups, are influential and privileged interlocutors in Brussels. In contrast to the traditionally vertical society-state relationship, this form of interaction between societal and state actors of different nationalities adds the 'diagonal' axis to transnational relations.

As the thesis will reveal, these three dimensions drawn from Keohane and Nye's analysis are crucial additions to international relations' horizontal, and domestic politics' vertical, relationships. Following this theoretical overview of the state, the chapter will now address the historical

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[5] Keohane and Nye, Transnational Relations, p.383.

context of one particular member state and then disaggregate it into its constituent parts. In contrast to much neo-*Realist* literature, not all states are 'like-units'.[6] Naturally both similarities and differences exist among those constituting the European Community. Structural similarities underpin their participation in the process of regional integration: as polities, EC member states are indeed comparable as liberal-democratic, industrialised, commercial, pluralist, welfare-oriented west European nation states. In combination, certain of these state attributes and their shared dynamics may explain why the European 'common market' has thrived while other attempts at building similar regional markets have not.[7]

The EC member states, however, are by no means homogeneous, or purely rational entities: if they were, then they would probably pursue more similar policies. In fact, the specific dissimilarities are as significant to intra-Community relations as the structural generalisations. For example, some EC states are of older vintage than others, a few are constitutionally constrained from being fully sovereign actors, while others are limited by the federal or centralised structure of their polity. The history of each state's construction, each nation's sustaining or unifying myths, and each nation state's perceived viability are all of importance in understanding the behaviour of Community member governments.

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[6] Kenneth Waltz, "Political Structures" in Keohane, ed. Neorealism, pp.87-92.

[7] Wessels, "The Growth of the EC System: a Product of the Dynamics of Modern European States?", Paper presented at XIVth World Congress of the International Political Science Association, 1988, Washington DC.

This is especially true of the United Kingdom's governments, which form part of a constitutional monarchy with a parliamentary system. Sitting at the crossroads between their departments in Whitehall and the legislature in Westminster, and between their political party and the cabinet system itself, the ministers of Her Majesty's Government are crucial to an understanding of the 'state'. They occupy a key position between the unity of the 'state' on the international stage and the pluralist government in the domestic arena.

Before disaggregating the 'United Kingdom of Great Britain and Northern Ireland', the thesis will briefly examine its "evolution towards a welfare and service state", for the historical foundations of the contemporary state are as important as a usable model of disaggregation. The rapid series of changes in 1989 ended a period of apparent stability and Cold War order in western Europe. In retrospect, those fifty years were only an "illusion of stability" which masked a "gradual transformation of economic and social interaction within Western Europe".[8] Though the system of states and their frontiers were frozen, the internal operation of the nation states and their interaction within the EC were recast.

Partially concealed by the resilience of its familiar political institutions and traditional practices, the transformation of the British nation state within the Cold War order has remained largely hidden from view. It has,

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[8] Peter Flora, ed. Growth to Limits: the Western European Welfare States since World War II, (New York, 1987).; Wessels, "Growth of the EC System".; Wallace, Transformation, pp.1,6.

however, both followed regional trends and charted its own unique course: three specific developments are important. First, the experience of 1940: David Reynolds has identified this year as the "fulcrum of the twentieth century" for Europe.[9] This is especially true for the United Kingdom, as June 1940 marked a diplomatic watershed. The Dunkirk evacuation and fall of Paris ten days later marked the end of the Anglo–French *entente cordiale* which had underpinned early twentieth century British diplomacy. The collapse of the UK's European strategy drove Winston Churchill to seek an alliance with Franklin Roosevelt's administration, forging a trans–Atlantic special relationship. This provided an alternative to European engagements, complemented the UK's remaining imperial ties and has survived - more or less - into the last decade of the century.

At home, the "European revolution of June 1940" transformed British self–perceptions, both about themselves and about their nation state. Whereas the collapse of the regional state system had discredited the nineteenth century's sovereign nation states for many on the European mainland, the British national experience of the war had the opposite effect. This in turn shaped their reactions to the post–war reconstruction of Europe. Between the fall of France and the German invasion of Russia, the United Kingdom was the sole belligerent against Germany: at the end of a trans-Atlantic help-line, the British state stood alone. From 1940, isolation and resistance therefore reinforced the perceived viability and virtue of the sovereign state. Building on even older traditions of English exceptionalism, especially in the

[9] David Reynolds, "1940: fulcrum of the twentieth century?" in International Affairs, 66 (1990), pp.325–350.

Whiggish interpretations of history, "Britain's finest hour in 1940 became an indelible feature of national mythology".[10]

The third important development stemmed from the UK's experience of total national war. During the late 1940s, the British state under PM Clement Attlee retained much of its wide-ranging war-time responsibility for society's well-being. Largely due to experiences of the 1930s' economic dislocation and the war, the British populace accepted this expansion of state activity. The post-war consensus for the welfare state with its wholesale intervention in both the national economy and society in turn gave governments novel structural imperatives and unfamiliar responsibilities.

The impact from these three war-time developments came together in the UK's response to the proposed European Coal and Steel Community (ECSC). In May 1950, Robert Schuman, France's Luxembourg-born foreign minister, presented Monnet's plan for the institutional integration of west Europe's coal and steel industries. Though it had joined most regional organisations since the end of the war, ranging from the North Atlantic Treaty Organisation (NATO) to the Organisation of European Economic Cooperation (OEEC, which preceded the OECD), the Attlee Government decided not to participate.

At one level, the ECSC ran counter to an important aspect of the UK welfare state, namely the nationalisation of key sectors such as coal and steel. But the Schuman Plan was more than a sectoral scheme to integrate heavy industries: within it lay the seeds of an alternative to the classical

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[10] Ibid., p.343; David Reynolds, Britannia Overruled, (London, 1991). p.146; William Wallace, "Foreign Policy and National Identity in the United Kingdom", International Affairs, 67 (1991), 65-80.

state system which had collapsed in 1940. By placing the strategic means to wage war beyond the direction of individual governments, the first "example of a functional supranational authority" (in line with Mitrany's work) was intended to encourage regional peace.[11] But the British state had not been discredited by the war, in fact the reverse was true. British policy-makers were therefore suspicious of European entanglements for such integrative purposes.

With the UK sidelining itself, the six ECSC founder members chose the 'Community' as the model of integration for their wider economic organisation, partly because the paradigm represented 'the European rescue of the nation-state'.[12] They pressed ahead to create both an Economic Community, with a common market and common agricultural policy (CAP), supranational institutions and an integrated decision-making system. The new Community, however, would be modest: following the ECSC, both a 'European Defence Community' and 'European Political Community' had failed. The EEC was therefore concerned only with the relatively 'low' technical politics of cooperative economic integration.

Even this was too much for the UK which created a looser, seven-state arrangement in the European Free Trade Association (EFTA), which complemented its imperial and trans-Atlantic trade preferences. It was not long, however, before the UK's economic imperatives, as a welfare-oriented trading state, obliged a British Government to seek EEC membership. Not for two decades, however, would the UK play a direct role in the Community. By this time, the 'common

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[11] Spinelli, "Growth of the European Movement".
[12] Alan Milward, The European Rescue of the Nation-state, (London, 1992).

market' had been achieved and the original six members were looking to new horizons.

Whereas his predecessors as Prime Minister had rather reluctantly accepted the necessity of applying for EEC membership, Edward Heath positively welcomed the prospect of closer European unity. Even though his European policy threatened to divide the Conservative party, Heath sought and secured terms for entry. To mark this end of the 'Europe of Sixes (EEC) and Sevens (EFTA)' and the Community taking a step closer to representing the western half of Europe, nine heads of government met in Paris in October 1972 to discuss the future development of their enlarged Community.

Despite the continued rhetoric of 'Europe' and the 'Community', the organisation which the UK joined had itself changed. The Paris summit confirmed that the "institutional matrix of the EC had undergone a fundamental shift in structure". Though General Charles de Gaulle had never secured his *Europe des patries*, his empty chair policy had effectively undermined, but not destroyed, the supranational elements of the Community.[13] Ironically, thanks to the man who twice vetoed UK entry, the Community which the UK finally entered was closer to the intergovernmental organisations which British governments had traditionally encouraged.

The Gaullist legacy on Community policies, rather than on institutions, was far less advantageous for Britain. For fifteen years before British entry, the Six had devised policies to suit their needs, crafting intergovernmental bargains to meet their policy preferences. The CAP and system of budgetary 'own resources' were only the most

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[13] Derek Urwin, Community of Europe, (London, 1991). p.164.

obvious cases. The Paris summit marked the UK's first attempt to recast the underlying policy bargains for a larger Community, in which the UK might be more at ease.

Following the creation of the 'common market', however, the other heads of government were ready to commit themselves to a new agenda. This included cooperation in external policies, mandates for environmental and social policies, creation of a development fund, and vague commitments to both a 'European Union' and an economic and monetary union (EMU), all of which would influence the making of the SEA. Moving beyond a purely trading remit for the first time, the new agenda presented the UK with a new set of challenges, while still grappling with established policies and institutions.[14]

With hindsight, the UK was joining an organisation in which it could not be comfortable without significant change. The war had furnished the UK with new myths of national exceptionalism, which underpinned the initial hostility to cooperation with western Europe and bolstered perceptions of the nation state's viability. But wartime planning and the increasing demand for welfare services transformed west European states in similar ways.[15] Joining the EEC was a means to meet the UK's structural imperatives as a trading welfare state. Balancing the relationship between their states and societies, west European governments discovered that the EC–model was more than the rescue of the nation state: it also required the recasting of the state into a qualitatively different, but still recognisable, entity.

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[14] Christian Franck, "New Ambitions: from The Hague to Paris Summits, 1969–1972", in Pryce, ed. Dynamics, pp.130–148.
[15] Flora, ed. Growth to Limits.

Lifting the lid on the 'black box':

Having established the recent historical context of the United Kingdom, this chapter will now lift the lid on the 'black box' to provide a suitable model of the recast state. Drawing on the pluralist analysis of domestic politics and adding transnational dimensions to international relations (as discussed above), the model relies on a synthesis of four complementary approaches: the core executive model of Dunleavy and Rhodes, the arena approach of Jordan and Richardson, the policy networks of Marsh and Rhodes, and the transnational analysis of Keohane and Nye. This chapter will briefly consider these and then flesh out the bare bones of the skeletal model for the United Kingdom of the 1980s.

The pioneering work on arenas and networks has provided useful tools for studying the policy process within the UK. In the terms discussed above, these models allow the analysis of policy making through the vertical interaction of national societal actors from various arenas with state actors, creating policy-specific networks. Such an approach complements the strictly horizontal inter-state analysis of international relations and provides a model for the vertical "transmission belt" which Moravcsik's early work lacked.[16] In this thesis, the core executive and policy network models blend political, societal and administrative actors to complement the arena approach.

Adapting the general arena approach and transnationalism literature from the early-1970s, this thesis also adds one new arena and three new dimensions to the vertical policy

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[16] Jordan and Richardson, British Politics.; Moravcsik, "Negotiating the SEA", p.74.

making model. The new arena derives from EC membership. For many areas of national policy making, the EC has become a crucial and integral part of the 'British' process. Both societal actors, such as companies, parliamentarians and interest groups, and formal state actors have to reckon with a European dimension to their efforts.

The European arena also provides the forum for the three dimensions discussed above. First, societal actors within the different member states have formed transnational networks of varied density and intensity. Second, administration of common policies and EPC has required increasing contact among the sub-governmental units and public agencies of both national states and the Community's departments. These have created a web of transgovernmental relationships among the national state and Community bureaucracies.[17] Third, societal actors, especially transnational business groups, have created relationships with state actors in other countries, providing the 'diagonal' dimension to the model.

Although the thesis will focus almost exclusively on one member government, the model of state disaggregation could prove a useful paradigm for other studies of policy making within the European Community. The links among intra-national, transnational and transgovernmental relationships appear to be of general relevance for other EC member states and even the Community institutions themselves. For the purposes of clarity and relative brevity, however, the thesis will treat other member states as more unified than warranted.

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[17] Keohane and Nye, Transnational Relations, pp.379-84.

For the purposes of this thesis, the process of detailed state disaggregation requires six arenas: the core executive (including the head of government), the bureaucracy, the party arena, the parliamentary arena, the interest group arena, and the new European arena. That the public arena used by Jordan and Richardson has not proved useful in explaining the making of the Single European Act suggests the low salience of the EC in the early-1980s. The chapter will now consider each of the arenas in order, fleshing out the analytical skeleton with details of the British body politic.

1. The 'core executive': the Cabinet system

The core executives of nation states represent the network of individuals and institutions, both political and administrative, which "integrate" and bring coherence to the governments' decision-making process. The rest of the government, even the majority of ministers, constitutes the outer executive. Core executives, virtually 'black boxes' in their own right, "act as final arbiters" in cases of dispute among, or with, elements of the 'outer' executive. In many cases, where international relations theorists talk of the 'state', they mean the core executive of central government.[18]

For the purposes of the thesis, the British core executive comprises four important elements and is centred on Downing Street: the Prime Minister at No.10, supported by the Cabinet Secretary and the Cabinet Office; the Foreign Secretary across the street, with the relevant Foreign Office

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[18] Dunleavy and Rhodes, "Core Executive Studies", p.6.; Geoffrey Edwards, "Central government" in George, ed. Britain and the European Community, (Oxford, 1992). pp.63-90.

departments; the Chancellor of the Exchequer at No.11 and key divisions at the Treasury; and finally the Chief Whip at No.12, with the junior Whip responsible for foreign affairs. For specific policies, other individuals and departments naturally play important roles, but without becoming part of the core executive. In contrast to earlier arguments about British central government, the concept of core executive shifts attention away from the traditional 'PM/cabinet' debate towards recognition of a new policy- making community.

In this analysis, the formal cabinet meeting every Thursday has clearly become less important to the policy-making process than the work of the core executive. In the latter, the role of cabinet committees reveals the growing importance of officials, as well as elected representatives, for providing governance within the British state. When Walter Bagehot first revealed the existence of the cabinet two centuries after its emergence, he described it as the "efficient secret" of the English Constitution. In the late-twentieth century, the core executive and its committees have increasingly become the efficient secret, while the formal cabinet has tended to appear a more dignified part of the constitution.[19]

Operating collectively at the apex of both the state machinery and the political hierarchy, the core executive at times appears to represent the unitary state of *Realist* hypotheses. Its usually united appearance and coordinated responses, however, are only the result of considerable administrative effort by the Cabinet Office, working through

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[19] Walter Bagehot, The English Constitution, (London, 1963). p.65.; John Mackintosh, The British Cabinet, (London, 1962). pp.35-40; interview with David Williamson, ex-Cabinet Office.

its network of committees, sub-committees and *ad hoc* groupings. Indeed, the Cabinet Secretary and No.10 Press Secretary work to ensure the government of the day appears united and is not "caught out speaking with more than one voice".[20] When the system functions well, the government does indeed adopt common positions and acquire a façade of unity, making research of differences and disputes difficult.

These efforts within the cabinet system do not, however, make the government a unitary body. When Margaret Thatcher announced to the Commons on 15 November 1979 that "as usual, the cabinet was united this morning", the response from the House - politely described in Hansard as "[Interruption]" - suggests that some Members of Parliament (MPs) were not convinced. Hugo Young subsequently commented that it was "by her very insouciance that most people knew the opposite to be the case".[21] As the pluralist analysis of society-state relations would have predicted, divisions occur within the most senior decision-making forum of the British Government.

These divisions reveal two important characteristics about government. First, party-political battles, as well as inter-departmental wrangles, spill over from other arenas into the core executive. In addition to causing ideological and personal differences within cabinet, the party-political dimension has a direct impact on the policy-making process. Though Thatcher's first Cabinets clearly reflected the struggle between 'wet' and 'dry' wings of the Conservative party over economic policy, the divisions also affected other

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[20] Robert Harris, Good and Faithful Servant, (London, 1990). Quotation, p.143.
[21] Hansard, 5th Ser., vol.973 (15 November 1979) cols.1497-8.; Hugo Young, One of Us, (London, 1990). p.193.

policy areas, as analysis of the government's approach to the EC will reveal.

The second and perhaps more important insight arising from the divisions in the cabinet system is the inherent complexity of the entire executive. On 24 May 1979, the Prime Minister broke with tradition and revealed the existence of the cabinet's four standing committees.[22] Though she did not mention the cabinet's many sub-committees or the important role played by officials, this nevertheless remains a crucial insight into the structure of the British government. Instead of appearing before the full cabinet, most policy decisions are therefore handled in a committee chaired by the Prime Minister, Foreign Secretary or Chancellor. As the committees are necessarily sub-sets of the cabinet, many ministers of the outer executive will have little idea of decisions taken outside their sectoral remits.

The fragmentation of the government system, however, also works against the core executive. While the committee system allows it to coordinate the most important policies, the core executive cannot know what is happening in every corner of Whitehall. This is especially true of issues which do not warrant Cabinet Office coordination. The sectorisation of government responsibilities, which creates the need for an executive core, can in turn conceal some of its activities from the core. The core executive is thereby caught in a dynamic struggle with the larger outer executive over policy coordination, administrative inertia and coherent governance.

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[22] Hansard, 5th Ser., vol.967, (24 May 1979), col.179w.; 973 (15 November 1979), cols.688-9w. The committees are those responsible for Economic Strategy (EA), Overseas and Defence policy (OD), Legislation (L), and Home/social affairs (H).

As the thesis will demonstrate, party politics, personal policy preferences and the balance of power within cabinet were crucial in setting the direction of British policy on a number of important occasions. Until 2016, certain details of the struggle within Thatcher's Cabinets, their committee system and the core executive will remain unknown. Those waiting for the papers under the thirty year rule will probably discover, however, that many of the most interesting battles were not recorded. But the succession of diaries, autobiographies and political memoirs allows the student to discover much about the relationship between party-politics and British policy. In this sense, the Thatcher years have proved especially fruitful.[23]

1a. The head of government: the Prime Minister

As many of these autobiographies reveal, one member of the UK core executive in the 1980s deserved the apparently paradoxical epithet of *primus inter pares*. The Prime Minister (PM) is such a major influence on the British political scene that this separate sub-section of the core executive is necessary to complement the arena model. Though not yet a presidential figure, the British Prime Minister is singularly the most influential player at the centre of government and deserves a separate reference.

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[23] Geoffrey Howe, Conflict of Loyalty, (London, 1995); Nigel Lawson, The View from No.11, (London, 1992); Norman Tebbit, Unfinished Business, (London, 1991); Michael Heseltine, Where There's a Will, (London, 1987) and The Challenge of Europe, (London, 1989); Ian Gilmour, Dancing with Dogma, (London, 1992); Jim Prior, A Balance of Power, (London, 1986); Lord Carrington, Reflect on Things Past, (London, 1988); and Margaret Thatcher, The Downing Street Years, (London, 1993).

In addition to the crucial power of 'hiring and firing' other members of the government, the PM also has the right to set the agenda, both in full cabinet, its formal system of committees and other *ad hoc* sub-committee groupings. The committee structure itself, created to assist the cabinet, has in fact tended to strengthen the Prime Minister over ministers within both the core and outer executives. Within the UK, an increasing departmentalisation of the Whitehall bureaucracy requires an ever greater degree of coordination from the core executive. Chairing the two most important standing committees and numerous sub-committees herself, Thatcher was in a strong position against any particular subset of the cabinet. In the fragmented system, she could divide and conquer in a way that she could not have done facing her full Cabinets. This has reinforced the Prime Minister's standing over most ministerial colleagues, while avoiding the constitutional innovation of a formal PM's department.

The rise of head of government summitry on the international stage has also raised the PM above purely sectoral ministers to a "quasi-presidential role of speaking for the nation".[24] Though other senior ministers in the core executive, especially the Foreign Secretary, also attend such summits, the head of government usually gains the greater share of prestige and press coverage. Within the EC, the growing importance of the European Council has accelerated this process, providing frequent opportunities to stride across an international stage and defend the nation's

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[24] Jordan and Richardson, British Politics, pp.128-9.; Michael Foley, The Rise of the British Presidency, (Manchester, 1993). p.267.

interests. The dual pressures have therefore nudged the balance of power between PM and cabinet towards the former.

Thatcher's personal style complemented the structural shifts at the centre of government. Within the UK, the adversarial party and political system is more likely to generate confrontational prime ministers than a system based on consensual or coalition politics. Thatcher, as an outsider, fitted the adversarial mould, choosing to govern "with superb style, carrying every war into the enemy's camp, [and] seeking to destroy, rather than contain the Opposition". At home, Thatcher's remark that she "could not waste [her] time in having internal arguments" underlined her style: the collective approach would not be her Government's defining characteristic.[25]

The election of Margaret Thatcher in 1979 therefore heralded the start of a new era in terms of both style and ideology, for she was an outsider who had only captured the party by direct assault. Within the party, the Prime Minister rested on an uneasy alliance of economic neo-liberals and political traditionalists, supported by fellow travellers and 'pragmatists'. Her party-political decision to oppose the Heathites and wets gave substance to much of her resulting policy and underlay her approach to policy-making and European diplomacy.[26]

Personal experience also fed into her leadership style. Thatcher's one cabinet post before becoming Leader of the Opposition had been at the Department of Education, one of

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[25] Nicholas Ridley, My Style of Government, p.23.; Observer, 25 February 1979. Quoted in D. Butler and D. Kavanagh, The British General Election of 1983, (London, 1984).

[26] Nigel Ashford, "The political parties", in George, ed. Britain and the EC, pp.119-148.

the few ministries which involved almost no international activity, multilateral diplomacy or contact with the European Community. In contrast to Heath, the new Conservative PM had travelled little before assuming office, had not been a minister at the FCO and was proud not to be a diplomat. In an important sense, her distinctive view of domestic politics therefore informed her approach to foreign affairs. She regarded the latter as a "set of finite, set piece problems, which raise the British interest in a fixed way, which she has to sort out and solve once and for all".[27]

The personal style and ideology of the Prime Minister are fundamental to an understanding of the operation of government. They are therefore crucial to understanding inter-state relations and those within the EC in particular. Complemented by the structure of the office and whole fragmented system, Thatcher's premiership became increasingly 'quasi-presidential', reinforcing her personal approach to problem-solving. Within the disaggregated state, the PM's personality was therefore as important as intra-party alliances or the office of state's structural powers.

2. The bureaucratic arena: Whitehall

As Bagehot originally stated, the British cabinet is a "hyphen which joins, a buckle which fastens" the legislative to the executive part of the state. To update Bagehot for the purpose of this thesis is to stress two new relationships: first, that between Westminster and Whitehall, fastened together by the 'buckle' of the cabinet; and second,

[27] John Dickie, Inside the Foreign Office, (London 1992). p.262.; a senior diplomat quoted in Young, One of Us, p.248.

that joining the parliamentary party to its government by the cabinet as 'hyphen'.[28] This section will consider each of these relationships in turn.

When Walter Bagehot described the cabinet as the 'buckle which fastened' the legislature to the state executive, the 'executive' was of a different order from that which exists today. Since 1865, the relationship between Whitehall and Westminster has in turn been transformed, largely due to changes in the latter and its increasing responsibilities. Both qualitatively and quantitatively, the Whitehall public administration today is of a different scale from that described by Bagehot's executive. In 1865, total personnel in the civil service barely numbered 50,000. By 1975, the civil service numbered over 740,000 public officials, representing a fifteen fold increase.[29]

The expansion of the bureaucracy represents more than an increase in personnel: successive governments - especially since the second world war - have entered almost all fields of societal activity, enlarging the state bureaucracy and transforming national state–society relations. One of the major changes has been the recent rise of explicitly sectoral departments: these include ministries for energy (1942), industry (1970), and the environment (1970). Each one is itself a collection of competing, semi–autonomous divisions.

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[28] Walter Bagehot, English Constitution, (London, 1963). p.68. 'Whitehall' is an increasingly inaccurate metonym, as the institutions spread beyond the geographic area which originally lent them their nomenclature. Today 'Whitehall' encompasses only half a dozen departments of state.

[29] Herman Finer, The British Civil Service: An Introductory Essay, (London, 1927). p.14.; Eleventh Report from the Expenditure Committee, Session 1976–77, 'The Civil Service', Vol.II, Part II, pp.782–3. Quoted in Peter Hennessy, Whitehall, (London, 1990). p.261.

The department's Minister of State then has to aggregate these 'sub-government' units into a whole, crafting intra-departmentally agreed lines of policy.

The proliferation of such sectoral departments with their semi-autonomous 'sub-government' divisions has had two relevant effects: first, it has made necessary a network of committees to coordinate inter-departmental policy-making. The 160 or so different sub-committees of the cabinet in the mid-1980s have in turn reinforced the role of the core executive (as discussed above), especially the PM and Cabinet Office, which attempts to integrate this fragmented system. The increased 'departmentalisation' has also shifted the balance of expertise towards career civil servants to such an extent that one minister believed cabinet "Committees as well as the Cabinet itself are becoming part of the dignified element of the English constitution". Whitehall officials have therefore penetrated all levels of the political decision-making structure, reaching even to the cabinet itself. During cabinet meetings, the Prime Minister's right hand man at the table is the Cabinet Secretary.[30] The increasing size and fragmentation of Whitehall, coupled to its penetration of the political decision-making system, are important to an understanding of the contemporary British state and its relations with the European Community.

Second, the increase in numbers of such 'sub-government' units has unintentionally provided the preconditions for

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[30] Peter Hennessy, Cabinet, (Oxford, 1986).pp.26-27, and chapter 10.; Richard Crossman, Diaries of a Cabinet Minister, (London, 1975). Vol.I. p.11.; Hennessy's Cabinet front and back covers show a June 1985 meeting of committee 'Misc.95': all six officials of the PM's Private Office, some visible on the cover, are allowed to attend cabinet meetings.

extensive transgovernmental cooperation within the European arena. As "bureaucratic accommodation" is Whitehall's essential policy style, parts of it adapted swiftly to Community policy-making which is itself "best understood as bureaucratic politics".[31] This was in part a result of the government's explicit decision to absorb "Community business into the functional responsibilities of the various ministries", rather than to create a separate 'EC Department'. As some predicted, the decision to enter the Community has subtly altered the British state machinery.[32]

Since 1973, British governments have despatched numerous officials to Brussels to furnish diplomatic staff for the UK's Permanent Representation (UKRep) in Brussels and officials for the Community's bureaucracy. In London, the Cabinet Office developed an "extensive mechanism for the coordination of national policy" and a host of new inter-departmental issues, while several key ministries had to create European divisions to implement the Community's secondary legislation.[33] The expansion of EC competences has rendered UKRep a 'Whitehall in miniature', exposing both the diplomatic and civil services to the EC's operations.

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[31] Jordan and Richardson, British Politics, p.179.; Guy Peters, "Politics and Institutions of the EC", in Alberta Sbragia, ed. Europolitics: Institutions and Policymaking in the 'New' European Community, (Washington DC, 1992). pp.75-122. Quotation p.77.

[32] Wallace and Wallace, "The Impact of Community Membership on the British Machinery of Government", in JCMS, 11 (1973), 243-62. Quotation p.253.; Helen Wallace, National Governments and the European Communities, (London, 1973); William Wallace, Foreign Policy Process in Britain, (London, 1976).; Helen Wallace and William Wallace, "The Impact of the European Communities on National Policy Making", Government and Opposition, 6 (1971), 520-538.

[33] Virginia Willis, Britons in Brussels, (London, 1982).; Wallace and Wallace, "Impact of Membership", p.243.

The repeated contact has had an effect. Within a decade, the ministers and bureaucrats dealing with the CAP, for example, had "come to share preoccupations", were "subject to similar constituency demands, [and] engaged in annual budget battles against their respective Ministers of Finance".[34] Experience of the Community has been uneven: initially departments dealing with agriculture and trade naturally had far more business to transact with their EC partners and the Commission than ministries for education or health. Over time, however, most Whitehall departments have gradually become involved: only the Ministry of Defence now appears explicitly barred from experience of the Community.

Without rendering all Whitehall civil servants federalists overnight or creating a depoliticised "meta-bureaucracy", anecdotal evidence suggests that familiarity with the Community has led to an acceptance of an EC dimension to specific policy areas. While Sandholtz and Zysman declared that there had been no elite learning within the Community, it appears likely that a degree of official socialisation and an overcoming of initial inhibitions occurred in the first decade of British membership. Over time, the slow process of administrative interaction through regular meetings and temporary secondments has socialised parts of the British civil service into the Community framework.[35]

Hoffmann originally declared that the EC's "central institutions will remain ineffective unless the national bureaucracies are deprived of powers". Instead, the reverse

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[34] Lindberg and Scheingold, Europe's Would-be Polity, p.160.
[35] Wessels, "Administrative Interaction" in Wallace, ed. Dynamics, pp.229-241. Quotation p.235.; Sandholtz and Zysman, "1992", p.107.

appears to have been true in practice: expanded powers and responsibilities for the national bureaucrats have underpinned the increasing effectiveness of the Community institutions. With the growing fragmentation and departmentalisation of west European bureaucracies, national and Community civil servants have created horizontal, trans-governmental links below the level of the political leadership. At over 8000 meetings in 1985 alone, and at all stages of the policy process, Community, national and supranational officials have developed a transgovernmental network spanning the region.[36]

Though the actual impact of such socialisation is almost impossible to determine, it provides an important backdrop to the making of the SEA. As one senior Whitehall official warned, "if a government were to decide to take Britain out of Europe, that would be very unsettling and worrying for a large number of members of the Foreign and Commonwealth Office, and I think for home civil servants as well". Though there was no question of senior civil servants opposing the "elective will of government" as Neil Kinnock feared, an underlying inclination towards their regional bureaucratic network had clearly developed by the mid-1980s. Membership of the European Community had clearly had far-reaching consequences for the entire Whitehall bureaucracy.[37]

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[36] Wessels, "Administrative interaction".

[37] Simon Jenkins and Anne Sloman, With Respect, Ambassador: an Inquiry into the Foreign Office, (London, 1985). Quotation from Sir Antony Acland, Head of the Diplomatic Service, p.103. Neil Kinnock, quoted in Hennessy, Whitehall, p.403.; Simon Bulmer, "Britain and European integration; of sovereignty, slow adaptation and semi-detachment" in George, ed. Britain and the EC, pp.1-29.

3. The parliamentary arena: British MPs and MEPs

In contrast to ministers and civil servants, British Members of Parliament have largely remained outside the network of intra-Community politics. The emerging EC inter- and trans-governmental networks have rendered Westminster parliamentarians net losers in the policy-making process. As such, they have remained largely insulated from the development of Community policy except at moments of major change, such as the UK's application, entry and renegotiation of entry terms. Westminster MPs, however, represent only one set of elected representatives in the UK's parliamentary arena.

In 1979, British candidates stood for direct election to two separate parliamentary bodies and Conservatives won a majority of the seats they contested for both. Before 1979, the major point of Westminster's contact with the EC lay in the dual mandate of some MPs as 'Members of the European Parliament' (MEPs). Though the latter body had only limited influence, British MP/MEPs had provided a reassuring line of communication between Strasbourg and Westminster, alerting the Commons to developments in the EC. The decision to end the dual mandate therefore marked a watershed for both parliaments, excluding MPs from the Community arena and isolating MEPs from their national counterparts.

In Strasbourg, the 1979 direct elections obliged the new full-time MEPs to focus their careers on the Community's parliament and their 'Euro-constituencies' rather than the Commons. The latter thereby lost its direct representation

within the Community arena and an institutional division opened between the two parliaments. Moreover, anti-Marketeer MPs vigorously resisted giving British MEPs - even of the same party - access to Westminster and its resources once the dual mandate had ended. The 1979 EP election was therefore a double-edged sword for UK parliamentarians.

In line with the bureaucracy's sectorisation and the cabinet system's fragmentation, the Thatcher Government reformed the system of Commons' select committees in 1979 to reflect the state's sectoral responsibilities.[38] MPs appear to have benefitted less than they might have, especially on European affairs. Functional responsibility for the EC was divided between two committees, effectively allowing many of the issues in the early-1980s to fall between two stools. The prestigious Foreign Affairs Select Committee (FASC) was responsible for general, political developments within the Community. As the FASC also monitored all other world events, it accorded the EC little attention. In contrast, the Select Committee on European Legislation (SCEL) had to handle the full weight of EC law-making. Given the range of sectors in which the EC was competent to legislate, the SCEL was often unable to consider the first order issues about the Community's evolution.

The EC therefore fell, and continues to fall, between the world-wide remit of one committee and the weight of detailed legislation handled by the other, while the two compete for the right to monitor such issues. During the early-1980s, the EC generally received little attention from the Commons. The British MEPs might have made good the shortfall in

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[38] Andrew Adonis, Parliament Today, (Manchester, 1990). pp.106-8.

parliamentary scrutiny, but they were barred from the Palace of Westminster. Consequently both major parties, but especially the Conservatives, failed to integrate their national and Community parliamentarians. This led to an artificial division between the two groups of British representatives at a time when the EC institutions, and to an extent the EP, were evolving rapidly.

In contrast to backbenchers, British parliamentarians who achieved ministerial office enjoyed much closer contact with their Community counterparts. As a result, MEPs themselves had greater access to Whitehall than to Westminster, due to their useful expertise and influence in sectors of EC competence. At the FCO, Geoffrey Howe was especially concerned to develop contacts with British Conservatives in the EP. Following the 1984 elections, Howe even appointed one of their number as special adviser after the latter had lost his EP seat.[39] The MEPs therefore developed links to UK ministers, but not to their fellow parliamentarians or to the sectoral Select Committees.

As a recognised political Group, the British Conservatives in Strasbourg were further isolated by their national party. Shortly before the EP's first direct elections, the major political movements of western Europe created new transnational parties ('Groups' in EC parlance). The European Conservatives formed the European Democratic Group (EDG), having declined an offer to join the larger, centre-right European People's Party Group (EPPG). As a party leader who took considerable interest in these arrangements, Thatcher preferred to create an explicitly

[39] Interviews with Adam Fergusson, ex-MEP/FCO special adviser.

conservative and largely Protestant group rather than fuse the Tories with the mainly Catholic, Christian Democrats. Nevertheless, several British MEPs expressed an interest in joining the EPPG, but were obliged to form the third centre-right party, in which they were 60 of the original 65 MEPs.[40]

In short, the British MEPs were isolated from their Westminster colleagues and hamstrung by the view that the relationship between the two institutions was a 'zero-sum game'. The national MPs were in turn isolated from European developments by the end of the dual mandate and the inadequacies of the Select Committee system. The impact of the directly-elected MEPs on the parliamentary party was minimal and, with the end of Westminster's direct link to the EC, unsurprisingly only a handful of MPs noted the evolution of the Community.

4. The party arena: the Conservatives

Since Bagehot described the cabinet as the 'buckle which joins' the legislative to the executive, the rise of mass parties has transformed national politics. The government of the day now has to watch a much larger electorate and many more interests. In most parliamentary states, the party or parties with a majority of seats usually provide both personnel and political support for the government of the day, with the parties and Parliament operating at the key frontier of the vertical state-society relationship. Within policy networks, backbenchers and ministers alike are the main point of contact for societal actors, ranging from

[40] Richard Corbett, Francis Jacobs and Michael Shackleton, The European Parliament, (London 1992). pp.57/8.

corporations to pressure groups, who wish to influence policy. As the British system of 'winner-takes-all' denies policy-making influence to the Opposition and minority parties, the main focus of this section's analysis must be the central beliefs and internal divisions of the British Conservatives as the party in power.

Inter-party politics in the UK is adversarial, in contrast to coalition systems in parts of continental Europe. Coalitions do exist in British politics, but normally only within the apparently monolithic parties. As each party is a "kaleidoscope of opinion", the government of the day depends for survival on its judicious management of these internal coalitions and their policy preferences.[41] The doctrines and divisions of the ruling party duly underpin the behaviour of the government of the day, and therefore of the 'state'.

All prime ministers have to establish a coalition within their parliamentary party on which to base their government's programme. As an outsider in the late-1970s, Thatcher chose to build a power-base within the party different from that of the Heathite establishment, which still held sway. She rejected its consensualism, corporatism and pro-Community stance, preferring instead to challenge the economic and political orthodoxy. To this end she crafted an alliance of economic neo-liberals and political traditionalists to sustain her leadership, cemented by the Institute of Economic Affairs (IEA) and Centre for Policy Studies (CPS). Once in office, the government's early economic battles concealed many other subtle differences within the party. But they would soon resurface.

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[41] Heseltine, Where There's a Will, p.2.

Governing coalitions also remain part of the wider party. For a century, the Conservative and Unionist Party had projected itself as the traditional "party of the Union, the Empire, and the Constitution". It had thereby identified itself with the "established institutions and the symbols of national legitimacy". With the empire's decreasing relevance in the post-war world, the union and its parliament gained in importance.[42] That England's three unions - with Wales, then Scotland, and finally (though now mostly undone) Ireland - were all consummated by Parliamentary Acts, only linked the union and its Parliament ever closer.

For Conservative political traditionalists, the combined commitments to union and parliamentary sovereignty have underpinned many anxieties about the development of the European Community. The traditional "Conservative concern with national integration", defence of the union and a special attachment to the trappings of nationalism combined to tilt many against the EC in principle. As such, attempts to develop the symbolism of 'Europe', for example with a flag, money and anthem, have clashed with the party's nineteenth century, anti-European heritage.[43]

Those on the intellectually 'dry', neo-liberal wing of the Conservative party also regarded the EC as inherently protectionist and corporatist. On the one hand, the common agricultural policy was only the worst example of the former

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[42] Andrew Gamble, "Thatcherism and Conservative Politics" in S.Hall and M.Jacques, eds. The Politics of Thatcherism, (London, 1983). Quotation p.111.

[43] David Willetts, Modern Conservatism, (London, 1992). p.182.; Eric Hobsbawm. "Mass Producing Traditions: Europe, 1870-1914" in Hobsbawm and Terence Ranger, ed. The Invention of Tradition, (Cambridge, 1992). pp.263-307.

fault, denying the free action of market forces to the primary sector. On the other hand, the tripartite rhetoric of employers, trades unions and Commission was reminiscent of the former Labour Government's economic policy. With a hint of anti-Europeanism, the neo-liberal pro-marketeers therefore looked to global trade arrangements, such as the universal GATT, for liberalisation rather than the regional 'Common Market' on their doorstep.

Despite the inherent political and ideological impediments to a pro-Community stance, Conservative governments have been responsible for many of the developments in the UK's relations with the EC. From the first application to join the EEC in 1961, through the Single European Act of 1985, to the Maastricht TEU of 1991, Conservative governments have advanced the processes of regional cooperation and integration. Such steps have naturally incurred costs to party unity. From Harold Macmillan's address to the Commons on the UK's first application for membership, when a Conservative backbencher apparently cried out 'Traitor!', through Heath's commitment to the passage of the European Communities Act in 1972, to ratification of the Maastricht treaty under John Major, Conservative party leaders have had to contend with growing opposition within the party's ranks.

The late-1970s and early-1980s were little different, except that the Thatcherites chose to use 'Europe' as a symbolic issue over which to distance themselves from the Heathites. The PM's September 1981 'capture' of the Cabinet and defeat of the party wets were also victories over the party's pro-Community wing. Not until the Government adopted the internal market as a policy priority in mid-1983 did the

Thatcherites have reason to appear pro-Marketeer or even pro-European. By the final stages of the making of the Single Act, however, the Community had once again become a source of division and the Minister of Defence resigned partly over the issue of the Government's European policy.

By the end of the 1980s, another three cabinet members had resigned - to a greater or lesser extent - over European affairs, which in turn contributed to the party's decision to remove Thatcher herself in 1990. The Conservative party therefore provides an especially interesting case study due to its internal problems over Europe. The nation state, as represented by the British union and sovereignty of Parliament, has become its rallying cry and a bulwark against regional integration. The central beliefs and major fault lines of the party are therefore of major significance to an understanding of Thatcherite policy towards the Community and the making of the SEA in particular.

5. The interest group arena

A wide variety of societal actors inhabit the interest group arena, mediating interests through policy networks in the vertical state-society relationship. There are many typologies in the academic literature, but for this thesis two broad categories suffice. First there are pressure groups proper; non-profit organisations advocating single issues or aggregated interests on behalf of the public or specific societal actors. Such groups range from the Friends of the Earth and British Medical Association, to the National Union of Miners and Confederation of British Industry (CBI).

Since UK entry into the EC, some of these 'cause' groups have extended their operations to the European arena.

The other category includes 'for-profit organisations, such as small firms, large companies and business groups, which most studies of pressure group activity overlook with their focus on institutionalised interests.[44] Many firms are too small or lack the resources to enter the policy-making arena regularly. Their options are therefore to act through sectoral trade associations, local Chambers of Commerce or the nationally-organised CBI, all of which belong in the first category of interest group. But some corporate actors are large enough to wield considerable political influence in their own right. Though also members of collective bodies such as the CBI, the 'Shells' and 'Nat West Banks' of the world often achieve as much through direct representations to the government, as through mediating interest groups. These are especially influential in the European arena.

As with the other arenas considered here, that for interest groups is always in flux. New members enter, established ones atrophy and others find themselves sidelined. In the Thatcher years, the more familiar interest groups, such as the CBI and Trades Union Congress (TUC), failed to retain the access which the preceding, post-war corporatist consensus had permitted. Instead neo-liberal organisations such as the Institute of Economic Affairs and the Adam Smith Institute acquired 'insider' status under Thatcher's Conservatives. Specific corporations and favoured individual businessmen also gained special political access to the UK core

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[44] R. Salisbury, "Interest Representation: the Dominance of Institutions", American Political Sciences Review, 78 (1984), 64-78.

executive. Lord King and the privatised British Airways were among the clearest examples.

Another hallmark of Thatcher's policy style was the increased salience of certain think tanks, for example the IEA and CPS. As alternatives to the broad consensualism of the Conservative Research Department and Central Office, the PM drew on the advice of the IEA under Lord Harris and the CPS which she and Keith Joseph had founded in 1974. Though in substance Thatcherism was in essence a "reversion to 'Heathism' as it was before 1972", her personal style and brand of neo-liberalism were more explicitly dogmatic and drew heavily on these bodies.[45] But the core executive is never the only point of contact with the UK state for interested groups.

Though access to the Thatcherite 'court' at No.10 Downing Street was restricted to a charmed circle, avenues to other parts of the executive remained open. Interest groups and companies targeted relevant departments and divisions in the outer executive, creating a web of state-society relations to which the core was not privy. For some British interest groups, such close contact has had two important results. First, the interest groups became "increasingly bureaucratised (in short, more and more like the government departments with which they deal)".[46] The more alike they became and the more the interest groups understood and assisted state officials, the greater the influence of the one on the other.

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[45] Richard Cockett, Thinking the Unthinkable: Think-Tanks and the Economic Counter Revolution, 1931-1983, (London, 1994).
[46] Harry Eckstein, Pressure Group Politics: the Case of the BMA, (London, 1960). p.22.

The second result stemmed from this symbiotic relationship. As officials grew accustomed to transacting European business through EC structures (see above), so the relevant interest groups had to adapt to the new policy-making environment. When British officials started taking decisions about UK interests in Brussels, pressure groups and companies had to follow to protect their interests. This was easier for some than others. The CBI and TUC almost immediately joined their existing transnational EC umbrella organisations, the Union of Industries of the European Community (UNICE) and European Trade Union Confederation (ETUC) respectively. Other interest groups had to create their own networks. Large companies, especially transnational business groups with operations in several member states, were often ahead of the game in adapting to the new environment. Many smaller firms, however, failed to bridge the gap.

This section initially described interest groups as mediators or brokers between the state and societal actors in a vertical relationship. But the expansion of bureaucratic and political activity at the EC level has altered the interest group arena and created new links. Some pressure groups have sought horizontal links across borders with like-minded bodies in other member states: such transnational coordination allows them to pursue more effective campaigns. Others have simply opened offices in other EC capitals. While national officials remain their primary (vertical) target, interest groups operating in the EC cannot afford to overlook the Community's own officials. Early influence on a Commission draft can be more cost-effective than twelve separate representations in national capitals. The new

transnational relations, both horizontal and 'diagonal', are important developments, without which analysis of a national policy making arena is incomplete.

6: The European arena: the Community

As the preceding sections regarding the British state reveal, the European Community constitutes a new arena for several areas of British politics and policy-making. Most parts of the disaggregated nation state now have to be aware of, if not operate at, the Community-level. Many have come to treat it as an effective complement, rather than hindrance, to their efforts at the national level. These parts of the state have adapted for practical purposes and functional efficiency rather than as a result of any pro-Community idealism. This is especially true of ministers, the bureaucracy and interest groups. Only British parliamentarians and the general public have not forged such intimate connections with their European counterparts.

The European arena is mostly populated with member states, their officials and their ministers. It therefore resembles superficially an international regime, such as the OECD or GATT. But even the EC's strictly intergovernmental activity is more intense than in most regimes. Bargaining, for example, is not restricted to heads of government or other core executive ministers and officials. Within the EC, officials from the outer executive also participate. Some, like those from ministries of agriculture or trade, are now intimately involved in the EC: in a sense, national policies in these common fields are no longer strictly 'national'.

Others, such as officials concerned with social security or transport, are less directly affected. As in the national bureaucratic arena, the core executive simply cannot monitor all governmental activity.

Not only are the core executives and the MFAs no longer the privileged 'gate-keepers' between domestic and foreign policy-making, they interact with each other under a new set of international rules. Agreements reached by diplomats in Brussels are no longer confined to international law. Many of the intergovernmental bargains are automatically national law, benefiting from direct effect in each member state, justiciable by national courts without even passing through the national legislature. The means by which officials reach such important decisions are themselves new challenges. Whereas most intergovernmental diplomacy respects consensus norms, EC decision-making is as likely to be by one form or another of majority voting.

The whole range of national state actors are therefore locked into a process of permanent negotiation under a novel set of 'intergovernmental' rules. But the EC is more than a convenient and neutral arena for national and international policy-making. Though largely populated with national actors, the EC is even further from an intergovernmental regime due to several institutions. These play important roles, independent from the national states, revealing that the Community - like a nation state - is not a unitary actor. Though ascribing a decision, especially an unpopular one, to 'Brussels' might serve a political purpose, greater accuracy is required in an academic study. The EC's disaggregation reveals three key bodies; two political and one judicial.

Contrary to some rhetoric in the late-1980s, the college of Commissioners did not represent the embryonic government of a superstate. Though it introduces legislation and sits in the Council system at all levels, its importance to the evolution of the European nation state lies in its contribution to policy-making. Below its political College, the Commission's departmental structure and administrative responsibilities are comparable to those of a national executive, with the College representing a proto-cabinet. Though this supra-national bureaucracy is small, no larger than the Lord Chancellor's Office in Whitehall, it sits at the crossroads of Community policy-making.

As it relies explicitly on the good offices of the national bureaucracies to implement its policies, the Commission involves and socialises national administrators, through transgovernmental networks. As Commission officials "theoretically forswear national allegiance, but inevitably reflect the cultures from which they come", the 'foreign' nature of the supranational bureaucracy might have been expected to impair its efforts. But a combination of Whitehall's style of 'bureaucratic accommodation' (in contrast to Westminster's antagonistic approach) and the Commission's efforts in this symbiotic relationship, have overcome this obstacle.[47]

The European Parliament has not enjoyed such uniform success with its national counterparts. Especially at Westminster and in Copenhagen, difficulties have arisen

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[47] Peter Ludlow, "The European Commission", in Keohane and Hoffmann, eds. New EC, p.87.; Richard Hay, The European Commission and Administration of the Community, (Brussels, 1989). p.31.; Times, 16 February 1993. Editorial.

largely because the national bodies view the relationship as an institutional zero-sum game. Parliamentary assemblies in Rome and Bonn have not been so suspicious. For Britain's MPs, and perhaps its public, the EP is less recognisable as a parliament as it is not an adversarial institution supporting a government. In contrast to the Commons, the EP contains a system of permanent coalitions, pursuing consensual politics across party boundaries. Whereas the 'foreign' nature of the Commission has not hindered transgovernmental cooperation, the alien character of the Community's Parliament has discouraged closer ties with some national parliamentarians and publics.

Although a judicial and not a political body, the quiet impact of the European Court of Justice (ECJ) has been considerable. As with the Commission, its success lay in cooperating with, rather than supplanting, the national systems. Without initially raising much controversy within the UK, the ECJ created a unique, transnational legal network. Through its "courteously didactic method", the ECJ has been able to "create a sense of belonging" for national judges within the Community and "where necessary, to convert them into confirmed Europeans". Though governments usually act as gatekeeper for the nation's legal commitments, the ECJ - with the assistance of the national courts - has proved capable of bypassing the national government in a manner unprecedented for an international court.[48] The policy studies in this area have thereby demonstrated that

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[48] Joseph Weiler, "Community Member States and European Integration. Is the Law Relevant?", in JCMS, 21 (1982), 39-56. Quotation p.47.; Federico Mancini, "The Making of a Constitution for Europe", in Keohane and Hoffmann, eds. New EC, pp.177-194. Quotation p.178.

integration continued even though international relations theorists were not studying it.

The Community is therefore important in two respects: first, as policy-making arena, it provides a new dimension to the national policy process, subtly transforming the national arenas. Second, within the EC, independent supranational institutions play political roles in their own interests. The development of the Community does not replace the familiar structure of the nation state: it complements and supplements it. The formal continuities, however, conceal an evolutionary process which is transforming the nation state, altering its internal balance and modifying its relations with other member states.

Conclusion

The structure of the states and the nature of the key governmental players which emerged from the above experiences directly influence the analysis of the making of the SEA. As one informed insider later commented, the "complex nature of modern government and the proliferation of cabinet committees and sub-committees has reinforced the tendency of Ministers to look after the affairs of their own departments" instead of looking to the 'big picture'. The direct result of this departmentalisation was that the "Cabinet considered the issue of the Single Market and the Single European Act only from the British point of view" and from departmental perspectives. For Tebbit, this in part explains how "such a huge decision [came] to be taken with so little debate".[49]

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[49] Tebbit, Unfinished Business, p.46.

Chapter Two

Discovering the 'Internal Market'

The 1985 intergovernmental conference, during which the member governments and Commission crafted the Single European Act, effectively lasted only four months. From September until December 1985, the participants bargained over fifteen different issues and policy areas, ultimately including ten of these in the SEA. Compared to previous attempts at reform, the short duration of the IGC and swift agreement on the Single Act suggest that many of the ten areas were already acceptable to a majority of the member governments.

A year before the conference started, the British Government had in fact outlined its preferences in a policy paper called 'Europe-the Future' (see Appendix).[1] On election to No.10 Downing Street, Thatcher had had little on her European agenda, in contrast to her domestic platform. Five years later, her Government produced a catalogue of European policy preferences. As an end to the budget dispute approached, the core executive looked to the requirements of the whole Government. The twenty-seven paragraphs of Europe-the Future were the clearest, most pro-European policy statement a Thatcher Government had made. In consulting the wider Whitehall community, the core executive discovered that the 'outer' executive favoured progress in a considerable number of sectors. While the former had focused on the high politics of the budget, the latter had quietly developed functional interests in the EC.

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[1] 'Europe-the Future' in Appendix, and JCMS, 23 (1984), 73-81.

Only when the core executive encountered these interests and adopted some as policy preferences did the extent of the UK's informal integration into the Community become apparent. In many ways, the Thatcher Government had remained unaware of such informal developments. Since shortly after entry into the EC, the Conservatives had been in opposition and concerned with their internal politics. They would not have known therefore of the growing informal administrative and political contact between Whitehall and the European arena. Even the scale of economic and human interaction between the UK and mainland Europe appears to have gone unnoticed.

Chapters two and three will investigate aspects of the informal and semi-formal integration which underpinned the UK's evolving policy preferences. Of these, the internal market project is most closely associated with the Conservatives. In 1979, the Thatcher Government had spoken of international liberalisation only periodically and for a few sectors. Piecemeal liberalisation, rather than an explicit internal market campaign, had been the UK approach. By early-1984, when formulating its Europe-the Future paper, the Government declared the need to create a "genuine common market" its first priority.[2] In these five years, it discovered a policy preference which had not existed before.

In some instances, intra-Community debates and the process of informal integration led to explicit British policy preferences, for example high technology, environmental protection and cooperation in external relations. Though rarely mentioned in 1979, they all featured in Europe-the Future. In other areas, the debates resulted in rejection of

[2] Ibid., paragraph 6.

policy reform. The fields of social and regional policy, monetary cooperation and formal institutional reform fit this second category and the Government's Europe—the Future duly avoided mentioning these four issues, rejecting the opportunity to codify their informal integration.[3]

Instead of reporting these patterns of integration, many narratives of the early—1980s focus almost solely on the dispute over budget contributions. Though the feud was indeed important and achieved a high political profile, it concealed many other developments within the Community. Norman Tebbit, a minister during this period, has confirmed that the attention of the Thatcher cabinet was more often on the budget than other apparently less important developments in relations with the Community. When the Cabinet finally examined the Single Act proposals in 1985, it did not realise the extent to which they would transform relations with the Community.[4] The 'sectorised' nature of the contemporary member state and fragmented process of informal integration facilitated these developments, while concealing their impact from most participants and subsequent commentators.

The conflict over the Community budget nevertheless played a major role in both the timing and shaping of the Single Act. Only when the member governments had satisfactorily resolved the dispute could the Community as a whole turn its attention towards other reforms. It is not a coincidence that the Fontainebleau European Council which temporarily settled the budget question in June 1984 also set in motion the bargaining leading to the SEA. While exogenous economic

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[3] Ibid., paragraphs 9,10,14—23.

[4] Tebbit, Unfinished Business. p.46.

and structural forces also contributed to the reform process, the British demand for a rebate blocked formal progress until met. This endogenous, political factor cannot be explained by strictly neo-*Realist* or intergovernmental analyses.

The June 1979 European Council in Strasbourg is a useful starting point for analysis of the British experience of mid-1980s' informal integration. Coming one month after the general election, Strasbourg revealed several key strands in the Thatcher Government's policy. The new Prime Minister could at first do little more than react to decisions taken by the previous Labour Government. As the transition period for accession neared its end, the Labour Prime Minister had already intimated that the level of the British budgetary contribution would be unacceptable. At Strasbourg, Thatcher repeated his position and, on Lord Carrington's advice, asked the Community to propose a suitable solution. So started the British budget campaign which lasted another five years.

The Strasbourg European Council was also the occasion on which the British Government had to decide about entry into the exchange rate mechanism (ERM) of the recently-created European Monetary System (EMS). Despite lessons from the International Monetary Fund's (IMF) intervention to help sterling, Labour's PM had played a "surrogate Gaullist role" over the EMS. He judged ERM entry "too big a question for a lame duck government", especially one so divided internally. Though the Liberal-Labour ('Lib-Lab') pact alleviated the parliamentary arithmetic, the influence of the anti-Marketeer Bennite wing undermined the moderates' support for the EMS.[5] The decision was therefore left to the next government.

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[5] Roy Jenkins, A Life at the Centre, (London, 1991). p.466.; Guardian, 23 October 1978.

Before the 1979 election, the Conservative shadow cabinet had supported the EMS initiative, even intimating that, if elected, it would take sterling into the ERM. At Strasbourg, however, Thatcher announced that the pound would not participate in the scheme, though her Government would still make its delivery of gold to the Monetary Cooperation Fund (EMCF) which would manage the new European Currency Unit (ECU). Wishing to return to neo-classical, monetarist orthodoxy with control over national supply, the Conservatives in government wished to allow the exchange rate to float. On this issue, both the CBI and IEA shared the Government's suspicion of the ERM and supported its decision. This remained Government orthodoxy for the next decade.

On institutional affairs, the new Government reaped the benefits of one development and helped consign another to obscurity. One condition of Liberal support for the Lib-Lab pact had been agreement to a piece of formal integration; the direct election of the European Parliament. The immediate beneficiary of the move, however, was the Conservative party which took sixty of the UK's eighty one seats. Though the new Government regarded the Strasbourg Parliament as unimportant, its first direct elections represented a second poll in favour of the Conservatives.

The second development was the European Council's reception of yet another report on EC institutional reforms. The Report of the so-called 'Three Wise Men' had been reluctantly commissioned under the previous Labour regime and represented a second bout of formal integration, this time on the Council's operation. The Thatcher Government saw no reason to pursue such institutional reform, especially that which

might weaken the national veto within the Council.[6] At Strasbourg, the EP's direct election appeared to be as much formal reform as the heads of government could agree.

The decisions at Strasbourg over the Community budget, ERM participation and Wise Men's Report, coupled with the EP's first direct elections, set the stage for the next five years, as there would be no further formal integration until the governments settled their budgetary dispute in 1984. Beneath the surface, however, the quiet evolution of new interests in the Community emerged through a process of informal and semi-formal integration.

By the time the UK core executive conducted its pan-Whitehall exercise in writing Europe-the Future, a number of clear policy preferences had already been outlined. This chapter will investigate the four most important policy areas for the British Government, comprising the common market, high technology, external policy cooperation and institutional reform. Developments in these areas from Strasbourg to the Copenhagen European Council (December 1982) help to explain both the timing and content of the Single European Act itself.

1. The Common Market

The creation of the internal market, the so-called '1992-project', is closely connected with the Thatcher Governments. But in 1979, the first of these administrations had not actively sought the internal market. Five years later, in Europe-the Future, the Government placed the need

[6] Report on European Institutions presented by the Committee of Three to the European Council, (Luxembourg, 1980).

to create a "genuine common market" as its first priority.[7] Between these two events, the Thatcher Government had discovered the internal market as an EC policy preference: this section will try to explain why.

At the Milan European Council in June 1985, all ten heads of government endorsed Lord Cockfield's white paper on the internal market, demonstrating a convergence of, or at least "subjective similarity" among, national policies. Both neo-*Realists* and interdependence theorists have rightly stressed the role of such convergence, rather than a simple political economy hypothesis, in the making of the Single Act.[8] They nevertheless fail to investigate specific questions about why the national governments came to prefer such policies.

Within the Conservative party, the PM's power base rested explicitly on neo-liberals who rejected the industrial policies of the 1970s and wished to liberalise the national market. Drawing such ideas from the Institute of Economic Affairs while in Opposition, the Thatcherites inaugurated their deregulatory drive immediately, starting with the abolition of capital controls in their first months in office. Liberalisation within the EC, however, was not yet on their agenda. A major reason for this initial oversight was that IEA neo-liberals suspected the 'Common Market' of being a regional bastion of corporatism and protectionism. In fact the IEA's origins lay in such anti-Marketeer, anti-European, pro-free trade principles: their focus was therefore the universal liberalisation of world trade through GATT, rather than a local effort within the EC.

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[7] Europe-the Future, paragraph 6.

[8] Keohane and Hoffmann, "Institutional Change", pp.23-5; Moravcsik, "Negotiating the SEA", pp.72-5.

The neo-liberals' distrust fuelled the suspicions of more militantly nationalist Conservatives over the common market. Whereas common policies within the EC often had political or even constitutional ramifications, commercial treaties with GATT partners, especially the United States and the Commonwealth, remained purely economic agreements. For different reasons, the two key wings of Thatcher's power base therefore supported liberalisation but within a global rather than a European context. In contrast to France's Socialists, the British Conservatives had identified the causes of the 1970s' policy failure before entering office: the need to liberalise, however, did not lead immediately to a Community response on the part of the British Government.

For party political, ideological reasons mentioned above, the case of the Thatcher Government is interesting, as it sought global liberalisation before it pursued the internal market. Keohane and Hoffmann suggested that the "decisive factor" for Thatcher was the Fontainebleau agreement "aimed at reducing Britain's budgetary contribution".[9] By this time, the Government was already espousing the internal market project as a preferred policy in Europe-the Future. This thesis suggests, however, that the Government embraced the internal market before, and independently of, the resolution to the budgetary dispute. It will now investigate why the British Government adopted this policy, despite initial misgivings about the Community.

The crucial date was November 1982, when a ministerial meeting of GATT's contracting parties finally took place for the first time in nine years. The Thatcher Government had

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[9] Keohane and Hoffmann, "Institutional Change", p.24.

pressed for such a meeting in line with its preference for global trade liberalisation: it was therefore disappointed when the meeting ended without a firm commitment to a new GATT round. Less than a month later, the Copenhagen European Council made the 'internal market' an EC priority, created a new Council of Ministers to deal solely with the project and mandated it to agree a package of fifteen proposals. The contrast between the global liberalisation Thatcher sought and the regional liberalisation she accepted could not have been more telling. The subtle shift in Conservative policy was therefore linked to the creation of the Internal Market Council in December 1982.

Although governments react to the success or failure of national economic policies, companies respond more directly to markets themselves. The challenges to western Europe's companies came from both extremes of the global market. At one end, the newly industrialised countries were undercutting west European labour costs in lower value-added sectors. At the other end, Japanese and American companies were proving more productive than their European counterparts, partly due to their more competitive and larger domestic markets. Though the EC technically had a market the size of the United States', it was fragmented among nine - and then ten - different nation states and allowed few economies of scale. Already dominating the higher value-added sectors, the Japanese and American companies' superiority in new technologies further undermined the competitiveness of European rivals. For companies needing to move into higher valued-added sectors, global liberalisation was a necessary but not sufficient response to these dual challenges.

While west European governments shared the structural imperative of promoting their electorates' economic welfare, their responses to the new "international division of labour" differed significantly. For governments of smaller states, the options were limited: as 'rule-takers', their standard response was economic openness to the global economy, linked with democratic corporatism as a political system.[10] Governments of larger member states enjoyed slightly more room for manoeuvre and in the 1970s had raised technical barriers to protect their domestic markets and national champions. Within the Community, governmental policies fragmented the 'Common Market' into its national components once again, separating them with technical, and non-tariff, barriers to trade (TBTs/NTBs).

While the national governments would eventually react to their policies' failure to ensure economic growth, west European companies reacted more immediately. The interests and responses of the larger companies, especially the national champions, would naturally influence the policy preferences of the governments. Although the larger companies naturally felt the fragmentation of the common market more than the small and medium sized ones, they were not alone in lobbying for regional liberalisation. Pressure for the internal market came from both ends of the spectrum.

One small but apparently not atypical example was Lancing Bagnall, a Hampshire forklift company. It was unable to sell its product in the French market because of the technical requirements for the positions of the driver's pedals. From Lancing Bagnall's perspective, this technical barrier served

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[10] Eric Hobsbawm, Nations and Nationalism, (New York, 1991). p.181.; Peter Katzenstein, Small States.

to fragment the common market and protect French forklift manufacturers. Lacking direct access to either national government, the directors of Lancing Bagnall chose to approach one of their two local parliamentarians to champion their cause.

Although better known, the MP could only raise a question in the Commons or approach a British minister. The company's case would then follow the classic 'interstate' route, through the FCO to the Quai d'Orsay and then the appropriate French ministry. The second local parliamentarian was Basil de Ferranti, elected to the EP in 1979. As an MEP, he could raise questions within the Community arena or approach a Commissioner directly, bypassing the national channels with an explicitly 'transnational' approach.[11] As trade within the common market was more a Community competence, the managers duly approached Ferranti, instead of the national MP.

While a representative on the Economic and Social Committee (EcoSoc) in the late-1970s, Ferranti had witnessed the gradual fragmentation of the common market and the ensuing complaints from small firms about TBTs. As a former businessman and MP, he realised that EcoSoc was not a suitable platform on which to pursue their cause and he duly stood as a Conservative in the EP's first direct elections. Once on the Parliament's Economic and Monetary Affairs Committee, he persuaded its chairman, the new French MEP Jacques Delors, to create a sub-committee to investigate the impact of TBTs on small- and medium-sized companies.

Inspired by many cases similar to Lancing Bagnall's, Ferranti and two subcommittee colleagues, Karl von Wogau and

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[11] Keohane and Nye, Transnational Relations, pp.xiii-xiv.

Dieter Rogalla, formed a cross-party interest group. Though aggregating these cases into a coherent project, the 'Abolition of Technical Barriers to Trade' Group did not set the political process alight in early-1981.[12] Not until it adopted the 'kangaroo' (for its ability to leap barriers) as its mascot and espoused a comprehensive strategy for liberalisation did the transnational Group attract attention beyond the EP's subcommittee. Within two years, however, the Kangaroo Group had over sixty members, mostly British, Dutch and German MEPs, advocating the complete removal of national barriers to trade within the Community.

For British Conservatives, the Group served a second function in that its transnational membership overcame the EDG's relative isolation. As Ferranti was among the EDG members lamenting the separation from other centre-right MEPs, he seized the opportunity to use the Group as a network linking political and sectoral groups to a functional policy objective.[13] In particular he welcomed the large number of EPPG MEPs who joined, linking the Kangaroo Group to the Christian Democrats. One of the most important contacts was the new West German Commissioner for Industrial Affairs, Karl-Heinz Narjes. Out of their collaboration evolved a recognisable internal market project.

While MEPs drew attention to specific TBTs, the Commissioner discovered the difficulty of harmonising individual sectors. On such matters, the General Affairs Council had traditionally delegated separate pieces of legislation to the Economic/Finance Council (EcoFin) or other

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[12] Kangaroo Group information publication, no date.
[13] Interview with Pamela Entwhistle, executive secretary to the Kangaroo Group, London.

sectoral Councils on an *ad hoc* basis. Common market legislation was therefore fragmented among different Councils. Narjes believed it should be within the remit of one specific council. Independently, the Kangaroo Group and the Commissioner were converging on the same conclusion, namely the need for a comprehensive Community approach to liberalisation, under one set of ministers. Drawing on obscure EC rhetoric describing the interior aspects of the common market, Narjes duly called for the creation of a single Council for the 'internal market'.[14]

Narjes also stressed the need for the new Internal Market Council to discuss issues in packages. In the past, each Commission directive was considered separately. National experts, under pressure from domestic interests, could block each one proposal easily. On any issue, a single national official could therefore obstruct all progress. Without amending the unanimity rule, Narjes stressed the need both to package proposals and make ministers, rather than technical officials, responsible for progress. The ministers might thereby overcome specific sectoral interests to agree a wider package of proposals.

While the Kangaroo Group and their allied Commissioner pursued a consolidated Internal Market Council within the Community arena on behalf of small- and medium-sized enterprises, larger British companies pursued their own specific concerns. Their interests in the Community came from two separate aspects; first, the fragmentation of the common market and, second, the Commission's 1970s' approach

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[14] The internal market referred only to "ce qui touche au domaine interne à la Communauté par rapport à ses relations extérieures". De Ruyt, L'Acte unique, p.150.

to harmonisation. An investigation of the behaviour of two large British companies reveals the differing paths which led to their supporting the internal market project.

As a corporate entity, Shell UK became an important exponent of the internal market. Its concern for a unified, regional market stemmed partly from its own interests and partly from those of its parent company. Shell UK is only one company in the transnational Royal Dutch/Shell Group, based in the UK and Netherlands. Though many of the Group's operations are divided among its national member companies, certain functions are coordinated at the level of the Group and have a regional perspective, for example distribution and coordination. Before becoming Shell UK's chief executive officer (CEO), John Raisman had gained firsthand experience of the common market's fragmentation through working in one of the Group's functional divisions.[15]

As CEO of a large company, Raisman naturally had greater access to national governments than did Lancing Bagnall's directors. He therefore pursued the company's and Group's interests in lobbying the government closest to him, while his counterparts in the Royal Dutch part of the Group lobbied the Netherlands' government. When the Groups' various officers met national ministers, however, they were not simply lobbying the governments: they also saw themselves as lobbying the local members of the Council of Ministers.[16] Moreover, the object of their lobbying was not to change British or Dutch legislation, but EC policies. The national

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[15] Interview with John Raisman, Chief Executive Officer of Shell UK, London.

[16] Confirmed in interviews with Raisman and Heather Honour (below), Director, External Affairs, BAT Industries, London.

minister was therefore more important as a member of the supranational Council than of the national legislature.[17]

The fragmented market was not the only reason for British companies' interest in the Community. As chairman of the transnational British-American Tobacco (BAT) Industries group, Patrick Sheehy's interest in the common market lay as much in the Commission's legislative programmes. Based on the 1972 Paris mandate, the Commission had developed a considerable body of environmental and social legislation to accompany its common market. Although often regarded simply as a regulatory burden on the process of wealth creation, the Commission's social policies came to occupy a more important role for British business.[18] The example of one *cause célèbre* demonstrates the Commission approach and corporate responses.

In efforts to harmonise pan-Community working conditions and protect workers' interests, Commissioner Henk Vredeling introduced a Directive (COM (80) 423) obliging transnational companies to adopt a uniform system of worker representation. Having resisted similar moves towards 'industrial democracy' under Labour in the mid-1970s, British companies opposed this challenge to their more voluntaristic approach to worker participation. Vredeling's effort to harmonise national practices was seen as a threat the British approach. Transnational groups with European interests, such as BAT Industries, were naturally among the first to notice the Directive's attempt to revive industrial democracy and to organise opposition.

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[17] Interviews with Willem van Eekelen, Dutch former-foreign minister and Secretary General of WEU, Brussels; Amanda Feeny, CBI Europe Group, London; and Raisman.
[18] Interview with Honour.

While British transnational and American multinational companies were among the first to realise the regulatory challenge, they gained useful allies in the parts of the Conservative party's leadership which subscribed to the IEA's neo-liberal beliefs. Though most British business interests primarily saw the EC's social policy as a burden, the Thatcher Government regarded it as an ideological challenge and a return to the corporatism of the post-war consensus. For neo-liberals, however, the 1970s style of EC social policy represented what Thatcherites would later call 'socialism by the European back door'.

Whereas Raisman was primarily interested in overcoming the fragmentation of the European market, Sheehy was concerned to stem the tide of Commission social policy: liberalisation met the needs of both. While lobbying the national government and pursuing their interests unilaterally, these and other companies also turned to their industrial representative, the Confederation of British Industry. Paying annual dues into the Confederation's coffers, the CBI's larger corporate members naturally expected support in opposing the direction of the Commission's legislative programme, especially the Vredeling Directive. Independently of the companies, the CBI had already been notified of the Directive by its 'early warning system' in Brussels and Strasbourg.[19]

Having mirrored Heathite optimism in the early-1970s over entry into the common market, the CBI had cultivated strong links with both UNICE (the transnational employers' organisation) in Brussels and British MEPs in Strasbourg. In London, the CBI had reformed its internal structure to

[19] Interview with Feeny.

coordinate cross-sector interests through a special 'Europe Committee'. Though these preparations were of little value during the 1970s' economic crises and the Committee remained virtually inactive, the CBI was well-placed to assist its members when they finally took an interest in the Community.

In contrast, the Institute of Economic Affairs, though enjoying closer links with the Thatcher Government and a clearer neo-liberal pedigree, was still advocating a global approach to liberalisation. Neo-liberal members of the Conservative Government and their allies at the IEA regarded both the CBI and common market as corporatist and protectionist. The other major alternative to the CBI was the Institute of Directors, which remained more a club than an institute intervening in the policy-making process. Given their isolation from the EC arena, neither of these could match the CBI's contacts with, or knowledge of, the EC.[20]

In early-1981, as the large companies launched their campaign to oppose Vredeling's Directive, Raisman accepted the chair of the CBI's reactivated Europe Committee. In the coming years, the Committee would provide a crucial link between British business and interest groups concerned with the Community's market. In addition to providing a forum for the CBI's larger member companies, such as the transnationally organised Royal Dutch/Shell Group, the Committee also included MEPs with whom the CBI had forged links: chief among these was Ferranti.

As a leading representative of the Kangaroos' trans-nationally organised interest group, Ferranti brought the Commission-Group strategy to London and interested heads of

[20] Interviews with Graham Mather, ex-Institute of Economic Affairs, and Feeny, CBI.

the larger companies and leading CBI officials in the internal market project. As a means to liberalise market regulations, whether national or Community-wide, and reduce internal barriers to trade, the internal market met the concerns of the Committee's major participants.[21]

Long before Wisse Dekker and Pehr Gyllenhammer called the first meeting of the 'Round Table of European Industrialists' in 1984, the CBI's Europe Committee was already proving a useful conduit for corporate and political interests.[22] While the various complaints originally concerned the lack of a common market and the plethora of Commission regulations, the Committee eventually advocated the internal market as the solution to most of these problems. Knowing that Narjes would soon be submitting his proposal to the European Council, the members of the Committee had an interest in paving the way for the internal market project through their informal influence in London.

The first step towards the white paper was therefore the gaining of acceptance of the internal market project by members of national core executives before the Copenhagen European Council. In the case of the British Government, the Europe Committee's members had to exert their influence on the PM, her key ministers and closest officials. That Thatcher agreed to the internal market at the December 1982 European Council and wrote a personal letter of support to Ferranti and the Kangaroo Group shortly afterwards, suggests the Committee's influence contributed to her decision.[23]

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[21] Interview with Feeny.

[22] Wisse Dekker, "Industrialists Drive For a Stronger Europe (Interview)", in Europe 2000, 2 (1990), 17-20.

[23] Kangaroo News, 1 (1983).

Within the UK, the 'internal marketeers' met little resistance to their campaign. The "unions in the member states were often ill-informed as to [the] existence" of the Vredeling Directive and offered little political opposition.[24] Though the British Trades Union Congress was part of ETUC - effectively a transnational 'Euro-TUC' network - it failed to profit from it in the way in which the CBI benefitted from UNICE. This was in part due to the TUC's close links to the Labour Party, whose lingering anti-Marketeer suspicions of denied the Community's social policy any allies in London. Whereas British companies saw the challenge, British employee groups failed to see the potential opportunities. Employer opposition to EC social policy was not therefore matched by employee support for the Commission.

By designating the market a priority and committing ministers to agreeing Narjes' package of fifteen proposals by March 1983, the heads of government had taken the important first step and outlined a point of policy convergence. The task for the members of the CBI's Europe Committee thereafter was to raise awareness in the UK of the project which Copenhagen initiated. Even Lord Cockfield, who as Minister for Trade became the UK representative on the new Internal Market Council, had not heard of either the Kangaroo Group or the 'internal market' in 1982. In his white paper almost three years later, however, he acknowledged that the "origins of the internal market project" lay at Copenhagen.[25]

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[24] Lodge, "Social Europe: fostering a People's Europe" in Lodge, ed. The European Community and the Challenge of the Future, (London, 1989). pp.303-318. Quotation, p.312.

[25] Interview with Lord Cockfield, former-Cabinet minister and European Commissioner, London; the 'white paper' itself is Commission document COM (85) 310 final; quotation p.3.

Following the collapse of the purely global strategy at the recent GATT meeting, the British Prime Minister designated the internal market a personal priority, accepting a regional approach to free trade centred on the EC. As neither the Prime Minister's powerbase nor her beliefs had changed, this new British policy preference had emerged largely due to the efforts of a small number of British companies and their MEP allies on the CBI's Europe Committee. Within the fragmented state structure, a small group of like-minded businessmen and representatives had targeted the one part of the executive which it needed to endorse a new Community policy. The challenge after Copenhagen was to expand interest in the project beyond core executives and Europe Committee members.

2. High Technology

In Europe-the Future, the Thatcher Government suggested research and development (R&D) in high technology should receive 'equal priority' with other common EC policies. A major reason for the surprising British interest was the recent success of the 'European Strategic Programme for R&D in Information Technology' (ESPRIT) project which started in 1984. The inclusion of technology in the SEA was largely due to ESPRIT's success and, though often dismissed as less important than the internal market, the EC technology policy has complemented European efforts to improve competitiveness.

As with the internal market project, the recently-elected Thatcher Government initially had little interest in European cooperation over high technology. By 1984, it was praising Airbus, ESPRIT and the Joint European Torus (JET), while

suggesting the need for more "action on a Community base". To discover why technology evolved into a British policy preference, this section will examine the creation of the ESPRIT project and compare it to a national venture in the same sector. Although the policy paper referred to ESPRIT as a case where "Governments can cooperate directly", this conceals the non-governmental origins of the project.[26]

At the EEC's creation, high technology was in its infancy and the draughtsmen of the two Rome Treaties saw no need for a Community competence beyond nuclear energy. Although the 1972 Paris summit later permitted the Community a technological dimension beyond the EAEC, few projects before ESPRIT achieved much success. One reason was that European project designers had a "fixation with scale", as the Airbus consortium and JET demonstrated. The same was true of national programmes, where governments attempted to create champions, such as the UK's ICL, by merging smaller companies. As 'champions' developed technology deemed essential to national security, the programmes soon evolved into extremely close relations between company and country. During the ensuing recession, the governments therefore found themselves propping "up the lame ducks" they had created.[27]

Coupled with the economic downturn, European high technology companies faced two new challenges in the late-1970s; first the semi-conductor revolution, and second the restructuring of global competition. Michael Piore and Charles Sabel have described semiconductors ('microchips') as the "second industrial divide" in western capitalism. This

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[26] Europe-the Future, paragraph 9.

[27] Margaret Sharp and Keith Pavitt, "Technology policy in the 1990s", JCMS, 31 (1993), 129-151. Quotation pp.133-4.

technology created a wave of economic changes of 'Schumpeterian' proportions, both transforming traditional forms of production and creating whole new industries. As the lifespan of each new generation of technology grew shorter, securing an adequate economic return proved harder. Only companies with large markets were initially able to manage the 'revolution'.[28]

Riding the wave of new changes, Japan rose to be the world's second largest supplier of microchips by 1975, in turn altering the structure of the global market. Whereas west European companies had operated more or less comfortably in the shadow of American technological hegemony, this new *défi américain et japonais* threatened to leave western Europe as a backwater in the emerging international division of labour.[29] The west European national champion policy was ill-suited to meeting these two challenges. The fragmentation of the common market simply impaired further the ability of European companies to compete.

There was, however, no inevitability in the west European response to these developments. In the 1950s, the British firm Ferranti had developed one of the first commercial computers: Basil de Ferranti had even attempted to sell an early 'F1-model' to Lord Cockfield at Boots in the 1960s. Given the small British market, however, Ferranti's sales barely reached double figures and he could not meet the R&D and production costs on such a small run. Shortly afterwards

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[28] Michael Piore and Charles Sabel, The Second Industrial Divide: Possibilities for Prosperity, (New York, 1984).; Sharp and C. Shearman, European Technological Collaboration, (London, 1987). p.43.

[29] Jean Servan-Schreiber, Le Défi américain, (Paris, 1967).; Sandholtz and Zysman, "1992", pp.95-6.

in the United States, IBM's sales of its first computer reached triple figures, mostly due to its larger domestic market.[30] Thirty years later, the west European technology companies faced not only the same structural impediments, especially after the common market's fragmentation, but also IBM's monopolistic position.

Similar to other large European companies in the early-1980s, high technology firms had an interest in completion of the internal market. Dekker, President of Philips, remains the most well-known of this sector's activists in favour of liberalisation, but he was by no means the only one. For the high technology sector, such liberalisation addressed the problem of market size, but overlooked production costs. In itself liberalisation would be insufficient as European governments were unlikely to allow their 'champions', with all the perceived implications for national security, to collapse under increased regional competition within the internal market. But the traditional national and European champion approach, namely expensive industrial collaboration along the lines of Airbus, remained unattractive in the harsher economic climate of the early-1980s.

The dilemma was essentially how to encourage cooperation among fierce competitors, when member governments opposed increased expenditure. The solution lay in a new sector, 'information technology' (IT), and a new focus for European cooperation. Not only did IT promise the creation of new industries, it also threatened to transform all three economic sectors, from agriculture and manufacturing to

[30] Interviews with Lord Cockfield, ex-Cabinet minister and ex-Commissioner for the internal market, and Entwhistle.

services. As such, IT represented a 'strategic' sector, with ramifications for other apparently unconnected fields. Given IT's importance, policy-makers focussed on this sector and both the Commission and British Government developed policies in this field, in collaboration with several of the same companies. A comparative history of the two projects will cast light on their reactions to global challenges.

At the Community level, the Commission initiative started significantly earlier than the national response. Under Roy Jenkins, Commissioner Etienne Davignon, responsible for Industrial Affairs, invited EC and national officials to meet business representatives to discuss collaboration and an industrial strategy for the emerging semi-conductor technology. The project failed, apparently undermining the credibility of a Community option in this field. Two years later, however, the same Commissioner launched a second venture, having learnt three important lessons.

First, Davignon personally invited only the heads of the companies to Brussels: he therefore bypassed the national, Commission and corporate bureaucracies. Second, instead of presenting a Community-wide industrial strategy, he proposed a 'round table' format at which the corporate heads were only expected to discuss options, not commit to a strategy. Last, he allowed the market to select the round table's participants, by inviting heads of the twelve largest IT companies regardless of nationality. By not trying to represent all the EC's member states equally, Davignon created a forum of the functional powerhouses within the Community market.[31]

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[31] Interview with Dr. Derek Roberts, Technical Director at ICL and, from 1979, GEC.

With only the 1972 mandate, instead of a formal Treaty base, for technology and with minimal resources, the Commission could do little in terms of an industrial strategy. Though at first sight a disadvantage, these restrictions allowed the heads, and later core executives, of the twelve companies to develop a project that suited their needs. After the initial meetings and agreement in principle to seek a common response to the challenge of the new technologies, the Technical Directors, rather than the heads, of the companies conducted the discussions in Brussels.[32]

The challenge for the participants was to devise a cooperative strategy among rivals. Davignon's first proposal was to create European, instead of national, champions. The Technical Directors rejected this approach: GEC, for example, was unlikely to withdraw from a sector in which it had invested to allow Bull or Siemens to become the Community's 'flagship'. Gradually, from the corporate Directors' technical and detailed discussions, one area emerged in which the firms could cooperate and the Commission could support them: pre-competitive research and development (R&D), not industrial production, provided the focus for cooperation.

With hindsight, the solution, rather like the internal market, appears obvious: that no politician or businessman had previously introduced such a venture suggests it was not. The outlines of the ESPRIT project emerged in early-1982 from these company-led, market-orientated discussions, in which national governments still played no role. In contrast to Airbus and JET, Davignon had bypassed Whitehall and the ministry responsible for technology to contact the heads of

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[32] For example Roberts (GEC) and Frank Chorley (Plessey).

GEC, Plessey and ICL directly. This explains the speed with which the round table's policy preference emerged.

As with Narjes' internal market, however, Davignon still had to secure formal agreement from the member states for his venture. The twelve round table companies, which had gained a stake in the programme's development, would assist the Commissioner. As such, they willingly lobbied their national governments on the Commission's behalf. As three of the twelve were British, their technical and external affairs Directors exerted considerable informal influence over the Prime Minister, her ministers and officials. As they discovered, their task in the months leading to the Copenhagen European Council was complicated by a Government-sponsored policy in exactly the same field.

The British Government had also responded to the technological challenge, not due to market developments but to the Japanese government's launch of a fifth generation of computers in October 1981. Whereas the three British companies had responded to increased competition in the market, the British Government was reacting to another government. The companies therefore perceived the Japanese challenge differently from their government, which saw only issues of national self-sufficiency and interstate security. Even though Davignon and the twelve European companies were already outlining a possible EC programme, Kenneth Baker, the British minister responsible for new technologies, insisted on an explicitly national response to the Japanese.

Though the Thatcherite core executive might have been expected to prefer a company-led, private sector response, it instead chose a national, 'state-pushed' project. Baker

therefore turned to the public sector and chose John Alvey to lead the investigation: his solution was a national Directorate linking British companies across strategic sectors. Turning again to the public sector, the minister selected Brian Oakley, Technical Director at British Telecom (then still in public ownership), to head the official national response. For reasons similar to those of the national champion approach, this initiative would not live up to expectations.[33]

When the three British companies on Davignon's round table started lobbying the Government, they discovered that the core executive had already established an IT policy preference; the ALVEY project. In bypassing national governments, Davignon's round table had indeed settled swiftly upon action, but this strategy created difficulties when seeking endorsement and financial backing for the pilot project. The alliance of Commission and sectoral business was sufficient to create the ESPRIT initiative, but not to give it the necessary resources. The task was to overcome the Government's commitment to its national programme.

For the purposes of lobbying, the heads of GEC, ICL and Plessey operated independently of their European partners and each other, but used round table meetings to coordinate their efforts.[34] As with lobbying in favour of the internal market, attempts to influence the national ministers were not intended to create new national policies. When Dr Roberts and Lord Weinstock of GEC lobbied Thatcher and her ministers,

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[33] Brian Oakley, Look Back in ALVEY: why support for R&D is not enough, (Edinburgh, 1990); interview with Brian Oakley, director of the Alvey Project.
[34] Interview with Roberts.

they were not seeking a decision from the British Cabinet or funding (directly) from the British Treasury. Instead, the businessmen were lobbying British politicians as local members of the European Council and Council of Ministers respectively. As the latter would recommend policy changes to the former, the firms' interests were best served by each national company lobbying the ministers they knew best.

In the British case, lobbying before Copenhagen had to overcome the obstacle of an existing policy preference, namely the Alvey Project. As the European Council's conclusions reveal, however, the national lobbying sufficiently altered the British core executive's views to allow the ESPRIT project to proceed, despite considerable domestic opposition and vested interests. Coupled with the firms' efforts was Davignon's draft proposal, shrewdly drafted to ensure maximum acceptability among governments. While keeping expenditure to a minimum, he placed ESPRIT under the supervision of a new 'Council of Technology Ministers', giving them a stake in the pilot project.

At the Copenhagen European Council, Thatcher agreed the ESPRIT pilot shortly after rendering the internal market a priority. Several British firms and now the British minister for technology had gained specific sectoral interests in the Community. Whereas the old 'Technology/Industry' Council had virtually stopped meeting in the 1970s, it had been revived as two new Councils, with new projects (the internal market and ESPRIT) to pursue.[35] The efforts of British companies, key Commissioners and the CBI in securing the European Council's agreement to the two projects had therefore ensured

[35] Wessels,"The EC Council: Community's Decisionmaking Center" in Keohane and Hoffmann, eds. New EC, pp.133-154. p.139.

that another two ministers and their Whitehall departments were brought into the European arena.

3. External policy cooperation

Although external affairs appeared ill-suited to Thatcher's neo-liberal economics, it became one of the most important aspects of her Europe-the Future policy paper. As the neo-liberal wing lacked external policy expertise, Thatcher initially had to staff a key department of the core executive with less ideological Conservatives. She tasked Nicholas Ridley with watching Lord Carrington's Foreign Office team. As the Prime Minister soon discovered, however, she could pursue her two most important overseas policies almost in parallel with the FCO and her ministers there.

For Thatcher, the most important international tie was that with the United States. Though trans-Atlantic relations had been crucial to all British governments since 1940, Thatcher restored the special nature of this relationship at a personal level, bypassing the bureaucracies. To demonstrate the point, Thatcher deliberately visited the American President after her election victory and before she met her European colleagues at the Strasbourg European Council. In the EC heads of government, Thatcher discovered the negative counter-balance to her positive trans-Atlantic relationship. She soon realised she could argue the budgetary case against the Community from her fiscal principles and combative, moral authority with little interference from the FCO.

Despite Thatcher's lack of experience in diplomatic relations and continuing suspicion of its practitioners,

Europe—the Future devotes ten of its twenty—seven paragraphs to external affairs. As its tone reveals, the evolution of this policy preference involved a significant shift away from her two original positions, namely unquestioning commitment to the United States and innate animosity towards her European partners. One major factor in this evolution was the process of European Political Cooperation (EPC).

Since its creation in the Davignon Report of 1969, EPC had evolved as an informal network of contacts among the nine nine ministries of foreign affairs (MFAs). When progress in most other areas ground to a halt in the mid—1970s, EPC's cooperative, intergovernmental regime continued to function, largely as it was not seen as a threat to the governments. The Commission was barely involved and did not have the sole right of initiative, while EPC decisions were not justiciable before the ECJ. Existing outside Community structures and requiring only minimal expenditure, EPC was ideal for self—consciously 'pragmatic' British governments of either party. For the FCO ministerial team under Thatcher, EPC was also a European activity beyond the difficult budget dispute.

While Political Cooperation relied on consensus among participants, it was not a static regime. Though developing more subtly than the EC itself, EPC's integrative elements were quietly and informally transforming the policy—making communities it involved. Each decision agreed within its framework contributed to a growing 'common law' of positions. The increasing number of EPC declarations and established practices constituted an identifiable but informal *acquis politique* of EPC policy stances among member governments. Moreover, this *acquis* in turn became an important reference

point for national foreign policies. By providing direction and closing options, EPC thereby influenced national responses to international developments, in turn providing common ground for the cooperative process.

As the scope of EPC widened, it also drew more MFA officials into its network. Initially the need for member governments to cooperate over the new Conference on Security and Cooperation in Europe (CSCE) process and the 'Euro-Arab' dialogue meant that national experts in both security policy and Middle East affairs were pulled into the consultative process. Given the rotation of diplomatic staff and the expansion of EPC's working groups, ever more national officials came into contact with their MFA counterparts in other Community capitals. Through slow socialisation, the EPC regime gradually became an accepted part of national diplomatic efforts. When Julian Bullard returned from Bonn in 1979 and became the first Deputy Under-Secretary designated as 'Political Director' two years later, he noted the distinctive "Europeanisation" of the Foreign Office.[36]

External policy cooperation was not limited to EPC matters, for the Community also had Treaty-based competences, mostly in foreign trade. In a bipolar world, where nuclear arsenals made a major 'hot' war unlikely, the EC's Common Commercial Policy (CCP) became an influential diplomatic tool. During the 1970s, the Community developed, alongside its CCP, the Lomé Conventions with over sixty African, Caribbean and Pacific (ACP) states, and a web of cooperation and association agreements which bound the EC into a network of

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[36] Wessels, "Administrative interaction" in Wallace, ed. Dynamics, pp.229-41.; interview with Sir Julian Bullard, former-Political Director, FCO; London.

relationships with both states and other regional blocs. Though major conflicts did not arise between the EC and EPC styles of external policy during the 1970s, the potential difficulties were evident. Key causes of EC/EPC differences were the Commission's almost exclusive competence over the CCP, and provisions for decision-making by majority voting.

While EPC subtly transformed national diplomatic services, the stability concealed the fact that the regime had not faced a major challenge in the late-1970s. While expectations of EC-wide responses became widely ingrained both inside and outside the Community, the political commitment of EPC's founders had not been supplemented by structural reforms. The arrival of Soviet forces in Afghanistan in December 1979 swiftly demonstrated the system's deficiencies and the discrepancy between expectations and operational capacities. Whereas the United States and the UK responded to the crisis almost immediately, the 'European' reaction took several weeks to coordinate through EPC's cumbersome procedures. Though confirming Thatcher in her special relationship, the episode apparently spurred Lord Carrington to seek improvements to the EPC regime's practices and procedures.

As the Afghan crisis had revealed, the Soviet threat in the 1980s was political, rather than military or economic. Almost twenty years earlier, Nikita Khrushchev had correctly predicted the Soviet Union would overtake the West's steel production by 1980. But this one sectoral victory neither buried the West economically nor translated into military superiority, largely because new higher value-added technologies were shifting the emphasis away from heavy

industries, such as steel. Instead, the challenge for the EC member governments was to maintain their coherence and unity of purpose as the 'new Cold War' of the early-1980s unfolded. For this purpose, EPC would be ideally suited, if it could be made to operate more effectively.

Within the Community of nine, Lord Carrington faced two challenges in his efforts to improve EPC's operation; Irish neutrality and Danish suspicions of Community methods. Although the CSCE process had obliged the parties to EPC to consider aspects of security policy informally, both the Irish and Danish governments expressed reservations at formally codifying this development. Though worsening relations with Moscow suggested a need to adapt EPC to new circumstances, the opposition of these two member governments was sufficient to block formal progress. One disadvantage of EPC's separation from the Community was that would-be reformers could not use incentives in EC regimes to encourage further cooperation within EPC.

The accession of Greece added further complications, especially on management of East-West relations as they deteriorated over boycotting the Moscow Olympics. Despite a gradual evolution of an *acquis politique* among the nine governments, the tenth member of the Community was more sympathetic to Moscow than the majority. The tension between the external policy *acquis* and the national preferences of the Greek government threatened to undermine EPC's cohesion. Outside the EPC regime for its first decade, Greek ministers and officials shared neither the political commitment nor consultative reflex of their partners. As Lord Carrington prepared to assume the Presidency of both the Community and

EPC, it appeared that the latest member government would undermine the cohesion of western Europe's emerging external relations cooperation.

Lord Carrington's response to the Greek challenge was to suggest a codification of EPC's existing practices, so that the progress achieved over the last eight years would not be lost. Within the parameters of Irish and Danish concerns, the Foreign Secretary proposed modest, operational reforms, for example stressing the Presidency's role in coordinating timely responses, maintaining EPC's cohesion and ensuring the compatibility of EC/CCP and EPC positions. The reforms would ensure common responses to international incidents, such as the Afghan crisis, without altering EPC's informal, consensual nature. Thatcher's removal of the leading Heathites from her Cabinet and her latent trans-Atlantic preferences meant that the Prime Minister was unlikely to support any more far-reaching pro-European reforms. Lacking domestic support to strengthen EPC further, Lord Carrington submitted only limited proposals to the British Presidency's European Council. Despite its enforced modesty, the London Report was still an important step.[37]

At the same meeting, the German and Italian foreign ministers presented the heads of government with a draft 'Act of European Union' (AEU). In its sections on external affairs cooperation, the draft Act was responding to the same issues which Lord Carrington had addressed. The Genscher-Colombo response, however, was to propose a minor revolution in the architecture of west European security. Despite well known national concerns, they suggested the creation of a

[37] Simon Nuttall, European Political Cooperation, (Oxford, 1992).

Council of Defence Ministers and a union of EPC with the Community's external policy competence. Following so shortly after the modest London Report, the contentious draft AEU was sent directly to the Political Committee where it encountered national reservations from all sides.

While the Political Directors discussed the far-reaching proposal, an external affairs crisis for one member government tested the London Report's provisions. Within days of the Falkland Islands' invasion, the Belgian Presidency called an emergency Political Committee meeting: in contrast to the Afghan crisis, the EPC regime produced one of the first condemnations of the aggression. While President Reagan sat squarely on the fence, the UK's European partners expressed political solidarity with the Thatcher administration and offered their support at the United Nations. The value of the UK's EPC reform clearly lay in its operational effectiveness.

In a new development, the foreign ministers also met as an EC Council to introduce economic sanctions against Argentina. In this case, the Community's commercial policy became a useful diplomatic device, setting a precedent for coordinated EC action alongside EPC declarations. Even for those governments which opposed the potential links between the EPC regime and the Community, the Falklands crisis demonstrated the value of such coordination in an emergency. Such cooperation in the EC/EPC relationship worked both ways: other Council members duly expected the UK to demonstrate flexibility over the budgetary dispute in return for solidarity over the Falklands. Thatcher denied such linkage and threatened the Luxembourg Compromise as a veto. This

only persuaded the Belgian Presidency to call a majority vote over the EC issue on 18 May, which succeeded.

Though a combination of Falklands War and majority vote distracted attention from EPC's development, the increasing links between the two strands of member government activity were evident. Despite Lord Carrington's resignation, the procedures in his London Report had ensured swift and decisive consultations. In short, he had successfully codified a useful diplomatic practice as part of the *acquis*. At the same time, however, the London Report also served as a firm base on which the EPC regime could slowly evolve: the Falklands presented the opportunity for such a development, when the principle of EC/EPC separation was outweighed by the practical utility of a coordinated response.

4. Institutional reform and 'European Union'

At Strasbourg, the heads of government had noted the report of the Three Wise Men, whose remit had been to consider the EC's institutions. Despite the Three's efforts, a sufficient number of the heads opposed reforms in this area. The report duly suffered the same fate as previous ones, such as Tindemans' Report on "an overall concept of European Union", commissioned in 1974 and consigned to obscurity in 1976.[38] Institutional reform and creation of a 'European Union' (EU) did not therefore appear to be priorities.

British governments were especially resistant to reform of the European institutions, partly due to the national experience of the twentieth century, in which constitutional

[38] Communiqué, 7–8 December 1974, EC Bulletin 12/1974.

alterations had largely been avoided. There have also been lingering doubts over the UK's relationship with the Community and the latter's institutional pretensions. Whereas British governments had encouraged intergovernmental regimes for regional cooperation, such as the OEEC and Council of Europe, they had opposed those with supranational elements. Of the post-war British Prime Ministers, only Edward Heath warmly embraced the prospect of such institutional reform and, at the 1972 Paris summit, he duly endorsed the vague project of European Union.

Within the Community, the term 'European Union' had come to represent the debate over institutional reform. As a term, 'union' was not alien to west European governments: it had originally meant the process of 'building Europe' before the term 'integration' was introduced. In 1955, 'union' also described the intergovernmental alliance of the six ECSC states and the United Kingdom as the Western European Union (WEU), while the Treaty of Rome's preamble vaguely mentioned an "ever closer union among the peoples of Europe". In the early-1960s, however, the term assumed a new range of meanings, which continued to underpin the word 'union'.

The new departure was de Gaulle's Fouchet Plan which proposed an intergovernmental 'union of states' to subsume the Community and its supranational elements. The French 'European Political Union' envisioned a *Europe des patries*, but was not widely welcomed. In resisting the dilution of the EC's supranational character, the governments of Italy and the Benelux states advanced the concept of 'Union' as a more *communautaire* model. At the heady 1972 Paris summit, the nine heads of government committed themselves to

achieving the 'European Union', though without specifying which one they meant.[39]

Within the Community of the early-1980s, the term concealed at least three major variants of reform. First, there were those who defined the Union as the minimalist, inter-governmental political union of the Fouchet Plan. Genscher's 1981 draft Act envisioned such a Union, strengthening EPC with responsibilities for security and defence, linking it to the EC, but without substantive reform of the Community itself. Despite Colombo's personal preferences, their joint proposal embraced the intergovernmental, rather than supranational, Union model. The links between the two would draw the EC towards EPC and its intergovernmental norms. Though the UK Government resisted formal reform and 'Union' rhetoric as a matter of course, it welcomed such results from informal developments: harnessing EC trade policy to intergovernmental acts through EPC was a clear example.

Second, in line with the early-1960s' Benelux response, several governments continued to regard creation of the Union as an affirmation of the Community itself. Having served as a means to rescue but reconstruct the European nation state, the Community was the preferred forum for regional integration, with its (con-)federal synthesis of supra-national, sub-national and national elements. As Tindemans' 1976 Report on European Union proposed, the Community model would unite the various forms of European cooperation, such as EPC, under the one Union roof. Unlike the Fouchet-style

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[39] Karl Deutsch, Political Community and the North Atlantic area, (Princeton NJ, 1957). pp.11,17.; Pierre Gerbet, "In Search of Political Union: the Fouchet Plan Negotiations, 1960-62" in Pryce, ed. Dynamics, pp.105-129.

political union, the intergovernmental forms of cooperation would adapt to the Community-style and not *vice versa*.[40]

Last, more extreme federalists such as Altiero Spinelli sought a robust European Union, in which the balance between member states and EC institutions would shift in favour of the latter. The wartime anti-national undercurrent in this strain of federalism meant that west European states, inter-governmental forms of cooperation and even the Community itself would be amalgamated to form an all-encompassing Union governed by its supranational institutions. Instead of rescuing the state, the Spinelli approach apparently wished to reject even the reconstructed nation state in favour of a European federal Union.[41]

As minimalist on such institutional affairs, the Thatcher Government opposed formal developments towards all three Union variants. Except for the intergovernmental proposal, the EU appeared a direct assault on national sovereignty embedded in the Westminster Parliament. For British politicians, especially members of the Conservative and Unionist Party, 'union' rhetoric had other connotations. The United Kingdom was itself a successful union which had flourished by largely subsuming the national institutions of three of its four members. As such, discussion over European Union had unfortunate undertones in British political discourse, and therefore lost much subtlety in translation.

For the Thatcher Government, the Community already functioned as effectively as required. The only immediate and necessary change was the structure of the EC budget. At

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[40] Milward, Rescue.; Jacques Vandamme, "The Tindemans Report", in Pryce, ed. Dynamics, pp.149-173.
[41] Burgess, "Federal Ideas".

Strasbourg, Thatcher therefore rejected the Wise Men's report as an unnecessary distraction. For almost four years, the British Government continued to regard the issue of institutional reform and the associated 'European Union' rhetoric as irrelevant to its functional policy preferences within the Community.

Though the member governments appeared to lay the Union debate to rest in 1979, the directly elected EP pursued the issue. Monnet had disbanded his 'Action Committee for the United States of Europe' in the mid-1970s, believing in part that the governments were pursuing the issue themselves and the Committee had therefore performed its task. With the failure of two reports commissioned by the European Council and the improbability of a third mandate in the near future, many members of the Parliament believed that the Community's only democratically-elected institution should lead the way.

The EP included advocates for all three forms of European Union. The two most important were the European Peoples' Party Group (EPPG) and the so-called Crocodile Group. The former, a transnational political party in the EP, was largely dedicated to the Community-model Union as originally advocated by the Benelux states. In contrast, the Crocodile Group, linking Spinelli with a cross-party group of federalists, advocated the more extreme form of federal Union. Since the 1979 election, the EPPG had pressed for institutional reform in the form of the 'Jonker Plan', representing a complete draft Treaty on European Union (dTEU).[42] Only Spinelli and the federalists believed it did not go far enough.

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[42] European Parliament Document 1-940/81, rev.II.

Despite differences over its precise form, these two groups agreed on the need to create the Union and by 1981 had persuaded a parliamentary majority to create an Institutional Affairs Committee (IAC). Chaired by the pro-Community Mauro Ferri, but with the federalist Spinelli as its *rapporteur*, the Committee represented a compromise between the groups.[43] Except for Derek Prag who was a member of both the Crocodile Group and the IAC, most British Conservative MEPs shared their national government's misgivings over creating a Union. The EPPG presenting its Jonker dTEU as a *fait accompli* merely confirmed the minimalists' worse fears. If the IAC was to succeed, it had to win the support of all political groups within the Parliament and not simply the explicitly pro-Community or federalist ones. The IAC therefore rejected the Jonker Plan and set out to build a wider consensus.

The IAC's creation in 1981 demonstrated that many MEPs were serious about creating the 'Union'. Such was the perceived challenge that the West German Foreign Minister, with the "sole objective of preempting the European Parliament", launched his initiative to create an Act of European Union.[44] Though he deployed similar rhetoric to the MEPs, Genscher's version of the Union was clearly the minimalist political union originally presented in the Fouchet Plans, as described above. As such, his Act was likely to prove more acceptable to member governments than the EP's maximalist enterprise.

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[43] Otto Schmuck, "The European Parliament's draft Treaty establishing the European Union" in Pryce ed. Dynamics, pp.188-216. Quotation, pp.192-3.

[44] Guy de Bassompierre, Changing the Guard, (London, 1985). p.78.; the draft Act of European Union is in EC Bulletin, 11-1981, pp.87-91. Although Genscher's initiative ended modestly with the 1983 Solemn Declaration, the thesis will refer to it as he first intended, ie an AEU.

While agreeing to Lord Carrington's modest improvements to EPC, the London European Council paid little attention to Genscher's initiative, leaving it for foreign ministers and Political Directors to examine. During 1982, neither the IAC's nor Genscher's proposals to create a Union made sufficient progress in their respective committees to be reported to the Copenhagen European Council. The lack of movement over the institutions was at least in part due to the member governments' continuing preoccupation with the budget question. As the next chapter will reveal, however, beneath the surface the MEPs at least were forging ahead and keeping the debate over institutional reform alive.

Summary: December 1982

From her first European Council in 1979, Thatcher's single-minded rebate campaign distracted "attention away from the less spectacular but more significant process of further integration" in a variety of sectors.[45] Without studying these other instances of further integration, the origins of the Government's 1984 Europe--the Future policy paper or even the Single European Act are incomprehensible. By late 1982, several disparate strands appeared to be converging on specific policies, which key Commissioners duly encouraged and presented to the December 1982 European Council in Copenhagen. Though the creation of two new EC Councils, the definition of the internal market as a Community priority, endorsement of the ESPRIT pilot project and codification of EPC procedures might have appeared unimportant compared to

[45] Reynolds, Britannia Overruled, p.256.

the budget dispute, they were the direct result of informal integration. As the next chapter will demonstrate, this European Council's acceptance of these ventures simply accelerated the informal process.

In the case of the United Kingdom, informal integration is interesting in that it developed despite the Government's suspicions of the Community. Beyond the British core executive, many British societal actors were discovering the benefits of a Community dimension to national efforts, for example in the fields of market liberalisation and research in IT. Members of the Kangaroo Group, directors of key IT companies, the CBI's Europe Committee and British MEPs, for example, urged Thatcher and her ministers to accept the internal market project, despite ideological, political reasons for retaining a global approach to liberalisation. Similarly over the ESPRIT project, British participants persuaded the relevant ministers to accept a European project, even while ministers were extolling the virtues of a purely national one. While governments remained locked in their budgetary dispute, transnational actors and supra-national politicians developed solutions to problems and then urged the core executive to accept them as British policy preferences.

Chapter Three

Towards *Europe—the Future*

Although the Copenhagen European Council marked a watershed in the Community's development, it did not itself bring member governments closer to reviving the EC's fortunes. Agreement over the internal market and ESPRIT projects had outlined two important bases for a relaunch, but the Single Act was still three years away. Agreement over the nature of structural challenges in the international economy was clearly necessary but not sufficient. Instead, the timing of the SEA owed as much to the theological, internal debate on the budget - which distracted political leadership away from other EC business and soured intra—Community relations - as it did to recognition of exogenous forces in the international economy.

In an important sense, Thatcher's bargaining style raised the "political threshold against anyone making concessions" to her.[1] In such circumstances, only the efforts of the larger member states could break the deadlock. But neither side was willing or able to break the vicious circle. The German Presidency in the first half of 1983, for example, might have made resolution of the budget dispute a priority following Copenhagen. Helmut Kohl and Hans-Dietrich Genscher threw their weight behind institutional reform instead, particularly the creation of the 'European Union'. Despite Genscher's efforts, his initiative to draft an Act of European Union soon ground to a halt: the Germans' European

[1] Young, One of Us, p.384.

Council at Stuttgart only adopted a watered down Solemn Declaration. By the end of the presidency, the unresolved budget issue was clearly impeding progress in other areas.

The Stuttgart European Council reluctantly acknowledged this and dedicated the Greeks' first Presidency to resolving the issue. Given the dispute's complexity, the heads of government also agreed that the problem should be solved by 'jumbo councils', comprising foreign, finance and agriculture ministers. Though this innovation failed, the prospects for a settlement were improving due to the increasing number of other policy objectives on the EC agenda. The desire to create the internal market, improve EPC and develop a technological capacity had provided a positive agenda from which the budget was clearly distracting attention.

The results of informal integration thereby provided the impetus to settle the formal budgetary dispute. This was especially true for the British Government. Eighteen months after Copenhagen, Geoffrey Howe circulated Europe—the Future setting out the UK's policy preferences. Most of the paper's twenty seven paragraphs related to these three fields, namely the internal market, technology and external policy cooperation. The desire to make progress on these three meant that voices were raised within Whitehall in favour of a budgetary settlement.

The policy paper did not, however, tell the whole story. At least four other policy areas were evolving within the EC, of which only environmental policy was included in the UK paper. The other three, namely monetary cooperation, social and regional policies, were important as contemporary debates which the British Government deliberately chose to exclude.

They were nevertheless policy areas debated in the 1985 IGC. This chapter will investigate each of the seven major policy areas to explain why only four were included in Europe—the Future. The second half of the thesis (chapters four, five and six) will then reveal why all seven became part of the SEA, even though the British Government had excluded three.

1. Internal market

The Thatcher Government had not initially sought the EC's internal market as a political project, preferring a global approach through GATT. Once established by the European Council, however, the project soon became a British priority and the Government took the lead in advocating it within the Community. In a sense, the Conservative Government had rediscovered the Treaty of Rome's 'embedded liberalism'. By early—1984, the completion of the internal market had become the centrepiece of the Thatcher Government's policy, as Europe—the Future revealed. During these eighteen months, it had become increasingly apparent that achieving this policy objective would require a solution to the budget dispute and then further changes. Though the heads of government had agreed to implement the internal market in December 1982, this did not immediately translate downwards into action in Council nor break the decision—making deadlock.

At Copenhagen, the heads had asked their trade ministers, meeting as the new 'Internal Market Council', to agree by March 1983 a package of directives which Narjes had selected. As each issue was already under discussion separately, the heads expected early agreement of the package. After three

months, however, the ministers had agreed only a third of the directives and in March they missed their deadline. Only in November 1983 did the Council provisionally agree a stream-lined package of fifteen proposals. The German focus on institutional reforms meant the Presidency had merely noted the ministers' failure to agree: the Solemn Declaration even relegated the internal market to a passing reference late in the text. But, with attention focussed on one Council, expectations about results had risen among politicians and interested societal actors.[2]

In early-1984, Narjes drew up a second package for the Fontainebleau European Council. The piecemeal approach since Copenhagen, however, had demonstrated three important deficiencies. First, despite policy convergence among the ten heads of government, the European Council's mandate had proved difficult to translate into action in the sectoral Council. Second, although packaging could be a useful means to facilitate agreement when unanimity still obtains, it was not a guarantee of efficient or swift decision-making. Third, while the heads set a deadline for the Council's agreeing the package, they did not enforce it. In short, the Community lacked both the necessary political determination and structural incentives to secure its policy priorities.

Under other circumstances, the failure of an EC Council to reach agreement might have passed unnoticed. But with the internal market, the heads had clearly established a new policy priority which many societal actors openly welcomed. The latter then expected results. This was certainly the case with the major industrialists who formed the new

[2] Interview with Lord Cockfield; Solemn Declaration, in EC Bulletin, 6-1983.

European Round Table with Philips' Dekker and Volvo's Gyllenhammer. Though they only met after Copenhagen had adopted the internal market as a priority, their Round Table would play a major part in pressing for the White Paper. The Community's failure to meet its legislative objectives simply reinforced the case for finding a firmer base for the liberalisation project. The conclusions of a European Council, though representing the will of ten heads of government, were clearly insufficient.

In no member state did this campaign take hold with the same strength as in the United Kingdom. The societal groups which had been most active in urging the British core executive to adopt Narjes' proposal at Copenhagen became the most active in publicising both the new project and the failure to meet the challenge. Of these, the individual firms' role is almost impossible to discern, though their influence was apparently significant. As Edward Nicolson, the director of the BTR group, has remarked, most "businessmen are too busy themselves, so they rely on interest groups and other public bodies" to pursue the political causes in which they are interested.[3] The major groups involved publicly with the internal market in the UK were the CBI's Europe Committee, IoD, Kangaroo Group and leading members of the Conservative party.

With his experience as an MP, MEP, minister and industrialist, Basil de Ferranti understood the workings of the 'state' and how to achieve his political ends. Having realised that formal agreement at the level of heads of government was only a first step, he saw the need to persuade

[3] Interview with Edward Nicolson, Director of BTR and former Conservative MEP.

other levels of the state in each of the national capitals. After convincing the core executive, those in favour of the internal market had to persuade the outer executive, both elected representatives and government officials responsible for implementing the detail of the internal market. Ferranti believed the Kangaroo Group therefore needed to take its message to a wider audience.[4]

The Kangaroo News, which Ferranti produced, charts the growing interest in the project. Starting with Thatcher's letter of support in issue one, British ministers slowly rallied to the initiative, until almost half of the Thatcher Cabinet had expressed their support by early-1984. Chief among these were ministers closely involved with the Community, especially from the FCO and DTI. With each News edition, more institutions added their support to the Kangaroo Group's efforts, for example the CBI, an array of transnational British companies and even UKRep in Brussels.

Though increasingly popular in Strasbourg, the Group had problems reaching beyond the policy-making community already familiar with the EC to a wider audience. To this end, the Group organised an awareness-raising visit to Westminster and Whitehall. In London, Ferranti underlined the importance of the internal market with speeches from core executive ministers and the senior British Commissioner, Christopher Tugendhat. As one senior Conservative later remarked, the whole project "was led by the British Conservative MEPs, including conspicuously Basil de Ferranti".[5]

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[4] Kangaroo Group, Kangaroo News, (London, 1983).; interview with Entwhistle. The News was the paper Ferranti published from the family company's headquarters.
[5] Heseltine, Challenge of Europe, p.33.; interviews with Sir Christopher Tugendhat, former-European Commissioner.

While neo-liberal Conservatives had originally looked to GATT for commercial deregulation, during 1983 they increasingly accepted the internal market as a means to the same end. Within the Treaty of Rome, they rediscovered the Community's free trading principles. The EC's embedded liberalism mirrored their domestic liberalisation programme and permitted even formerly anti-Marketeer elements to see the internal market as a means to export the Thatcher revolution to mainland Europe.

One key example of this evolving opinion was the Review published by the Salisbury Group of Conservative MPs through the Institute of Economic Affairs. Though early editions of the Salisbury Review were anti-Marketeer, if not anti-European, the tone visibly softened during 1983 as the internal market project gathered momentum. Reflecting both the nationalism and neo-liberalism underpinning Thatcher's powerbase, a writer in the Review remarked that as "access to markets dictated Salisbury's reluctant and cooperative imperialism", so the "same compulsion has taken his country into Europe". "Provided that the evolution is towards the *Europe des patries* of General de Gaulle", the increasingly pro-Marketeer Salisbury Group followed the Government's lead over the internal market. As the Economist later reported, the Conservative party at last had a "pragmatic, non-airy-fairy European goal", dovetailing with its domestic agenda, and which it could champion in the public, parliamentary and European arenas.[6]

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[6] David Steele, "Religion, Nationality and Party: the Political Thought of Lord Salisbury", in Salisbury Review, 5 (1983), 33-37. Quotation p.35.; Economist, Survey, 9 July 1988. p.6.

The Kangaroo Group was not the only body to react to the internal market's difficulties. The CBI's "Europe Committee under the chairmanship of Mr. John Raisman" also responded to the Copenhagen commitment. Raisman's strategy was to increase CBI member companies' awareness of the internal market, the opportunities it presented and reasons it was "very important for British business to get its point of view across" in Brussels. By March 1983, the Committee had produced Eurofacts to meet the "need for better understanding of how the EEC institutions work", complemented three months later by Eurolaws advising companies how to influence the decision-making process.[7]

As "virtually every business has felt the impact of membership", often without realising it, the Committee's documents enjoyed wide circulation. The lessons they drew were equally important: in attempts to influence Community policy-makers and legislation, the Europe Committee's documents identified seven different points of contact, only two of which involved the national government. For the companies' purposes, "ensuring that industry's views are made known to MEPs" was as important as lobbying national ministers. The CBI also explained that it operated "usually through UNICE ... with or without the co-operation of the UK Government". In short, the Committee advocated functional, transnational links between EC institutions and British companies, at least as strong as those more traditional ones to the national government.[8]

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[7] CBI, Eurofacts: Getting Around Brussels, (London, 1983). Quotations pp.2,3.; CBI, Eurolaws: Understanding and Influencing Them, (London, 1983).; interview with Raisman.
[8] CBI, Eurolaws, pp.1,11.

Publishing documents about the Community, however, was not the same as convincing British companies to take the initiative within the European arena. The Committee's real test was its impact on the wider CBI membership, particularly small- and medium-sized companies. In November 1983, the CBI annual conference debated motions on both freer trade and the UK taking a lead in the EC. Both passed, but only by seven and two votes respectively. A year later, however, Patrick Sheehy of BAT Industries introduced a motion for the "abolition of the many barriers" to an internal market. Supported by Raisman, Tugendhat, Lord Pennock and Nicolson, the resolution was adopted unanimously, in contrast to the half-hearted responses a year earlier The ability to reach a wider audience was an advantage the CBI Europe Committee enjoyed over both the IoD and European Round Table.[9]

Within the European arena, the Kangaroo Group pressed for the market project as a functional alternative to the Crocodile Club's federalist initiative. The EP's Economic Affairs Committee duly adopted the Group's programme, but, while the Commission produced modest packages of proposals for the Council, the EP's Committee produced a Report outlining the full scope of the EC internal market. To support the Committee's Report, the Parliament itself commissioned a study on how to move Towards European Economic Recovery. Though the text by M. Albert and R. Ball has been quoted more often than read, it was an important part of the EP's efforts to publicise the internal market project.[10]

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[9] CBI, The 1983 Annual Conference, (London, 1983). pp.18,19-20. The votes were 230:223 and 161:159 in favour.
[10] The 'Moreau-von Wogau Report' covered the scope of internal market; M. Albert and R. J. Ball, Towards European Economic Recovery, (Luxembourg, 1983).

By the time member states resolved their budgetary dispute and the Commission drafted a second package of directives, the internal market was entrenched as a British policy preference.[11] The Thatcher Government, its parliamentary party, key Whitehall ministries, several important institutes and groups, and many large companies were now interested in the internal market. When Europe—the Future was circulated around Whitehall in draft, the internal market was the policy commanding most wide—spread support, though the wider public and many smaller companies would not learn of the market project until the late—1980s, when the Department of Trade and Industry billed it as the 'single European market'. Nevertheless, the 1984 policy document marked the arrival of the internal market as a preference within London's key policy—making communities.

Those with political or economic interests in completion of the market remained anxious about the slow pace and piecemeal nature of the current approach. The member governments needed a complete inventory of what the internal market entailed, backed by political commitment and self—imposed deadlines. Though the Moreau—von Wogau Report proposed such a catalogue, the EP's initiative lacked the political weight to accelerate the internal market project. The Commission's white paper - drafted less than a year later - would, however, bear remarkable similarities to the EP's report. The issue which neither document resolved, but on which the internal market focused attention, was the Council's inability to deliver timely governance.

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[11] Narjes' second package was Com (84) 305 final; interview with Tugendhat.

2. High Technology

At Copenhagen, the Commission and members of the original round table on IT had won formal support for ESPRIT. As the case of the internal market demonstrates, agreement in European Council proved only the first step in the process. The Commission, however, had shrewdly packaged ESPRIT to gain maximum acceptance among companies before taking the most difficult question back to the member governments. By allowing only a limited application period during which companies could apply, the Commission raised interest in the project beyond the IT round table, drawing smaller companies into the ESPRIT network.

During 1983, more companies applied and news duly spread of the initiative. Within six months, many companies had signed contracts and gained an interest in their government agreeing the project. Once this momentum was created, the Commission took its project to the Council to secure funding. By this time, many corporate members of the national policy networks were advocating national participation. Their lobbying, especially that of the larger companies, ensured ESPRIT's formal launch in September 1983.[12]

The importance of ESPRIT to the process of informal integration was that it 'broke the ice' in respect of collaboration with European partners.[13] The immediate impact was three-fold. First, ESPRIT led to other ventures within the Community. The Commission's FAST forecasting study highlighted communications and biotechnology as crucial to

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[12] Interview with Roberts.

[13] Sharp and Shearman. European Technological Collaboration, p.63.

western Europe's economic development. Inspired by ESPRIT, the Thorn Commission laid the groundwork for projects in these fields, namely R&D in Advanced Communications technology for Europe (RACE) and Basic Research in Industrial Technologies for Europe (BRITE). Such strategic sectors would help European companies meet Japanese and American competition.

Second, the Commission drew institutional benefits from ESPRIT's launch, through the new policy networks it created. With the European round table of IT industrialists, the Commission had harnessed the interests of a particular sector to advance its own interests. This had occurred without the firms' directors becoming explicitly pro-European or federalist: they had made the cost-benefit analysis that involvement at the Community level was a worthwhile venture. Given its round table's success in creating support for Community-level policies, the Commission hoped to create new constituencies in other sectors, though none could expect ESPRIT's immediate results.

Third, despite ESPRIT's success, it remained only a sectoral project, expanding the EC's activities on a narrow front. The Commission had played a coordinating role in its creation and so would play a central but informal part in its management. But the Commission would only gain more formal powers if the EC acquired a treaty-based competence on technology policy, with decision-making rules and budget lines. Its structural interest was therefore to seek formal codification of this area.

Over the medium term, the habit of European technological collaboration spilled over to activities beyond the

Community. Many British firms involved in IT were also concerned with its application in other areas. Having experienced the advantages of cooperation first hand, these companies became 'agents' of informal integration. For example, the underlying economic challenge persuading firms to collaborate, such as increasing R&D costs and the need for economies of scale, were as applicable to military as civil technology. Other factors existed, but growing confidence in European projects was crucial.[14]

The 1982 Falklands conflict had revealed the inordinate expense of contemporary armaments, especially for a country with a medium-sized economy. The challenge of information and related technologies rendered purely national procurement increasingly expensive. Nowhere were the Falklands' lessons felt more keenly than at the Ministry of Defence (MoD). While buying some hardware 'off-the-shelf', usually from the United States, the British Government naturally preferred to develop strategic weaponry and equipment nationally. Shortly after Copenhagen, Thatcher had moved Michael Heseltine to the Defence Ministry. With 700,000 British jobs dependent on MoD contracts and 95% of its £9bn budget going to UK firms, any "Defence Secretary runs an industrial policy, however non-interventionist the Cabinet in general".[15] In contrast to Thatcherite colleagues, Heseltine's politics were well suited for the MoD's close cooperation with high technology companies, especially GEC.

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[14] Keith Hartley, "Public Procurement and Competitiveness: a Community Market for Military Hardware and Technology?", JCMS 25 (1987), pp.237-247.

[15] Keith Hartley, Farooq Hussain and Ron Smith, "The UK defence industrial base", Political Quarterly, 58 (1987), 62-72.; Hennessy, Whitehall, quotation p.414.

Since ESPRIT's endorsement, GEC had become a "champion of European collaboration". Straddling both civil and military sectors, the company wished to apply the pre-competitive advantages it had found in the former to the latter. The company's functional considerations therefore linked its civilian and defence operations, overcoming the state's (and neo-*Realists*') theological division between low and high policy. As a fifth of the UK's electronics output went directly to the MoD's Procurement Executive, GEC also had a direct interest in Heseltine's policy decisions. Such inter-dependence meant a figure like Lord Weinstock, GEC's chairman, was "a formidable pressure group in himself".[16]

Not only did Heseltine welcome the close relationship between state and private sector, he shared GEC's interest in European cooperation. As Minister for Aerospace under Heath, Heseltine had advocated the creation of the European Space Agency as a "better use of our national resources than trying to subsidize our national industry".[17] In 1983, discovering his new ministry intended to develop an expensive British successor to the multinational Tornado, Heseltine insisted on a 'European' alternative. By appealing directly to fellow ministers of defence, he opened discussions on multinational options which emerged as the European Fighter Aircraft (EFA, later 'Eurofighter') project.

The blurring of civil/military distinctions on the one hand and linking of state-/private-sectors on the other were demonstrated in Reagan's Strategic Defense Initiative (SDI)

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[16] Interview with Roberts.; Sharp and Shearman, Technological Collaboration.; Hartley, Hussain and Smith, "UK defence industrial base".; Hennessy, Whitehall, quotations p.340.
[17] Heseltine, Challenge, pp.117-119.

and European reactions to it. "So large a public programme at the frontiers of so many emerging technologies" gave the United States a competitive edge, with civilian 'spin-offs' disguised as cold war procurement. While British and German governments divided over their responses, François Mitterrand rejected the American initiative and floated a vague alternative, the 'European Space Community'. Building on the EC model, the French proposal would have added a new dimension to cooperation among the ten member states. When this won little support, Mitterrand launched a less ambitious, pan-European proposal which evolved into the EUREKA project.[18] The Commission, however, still favoured the 'Space Community' approach and drafted proposals for a new 'European Technology Community' (ETC).

EUREKA brought ESPRIT's influence full circle, back to the Community arena. Davignon's Round Table and ESPRIT project had swiftly set in train a whole series of cooperative ventures, breaking through 'theological' barriers to defence procurement and industrial security. Whereas the initial membership of the IT round table had epitomised its functional representation, the project itself and the new council of technology ministers subsequently provided equal representation for all participants, irrespective of states' original interest or firms' market share in the field of information technology.

As important as technical interest in information technology was the project's political spillover. While ESPRIT created an Community-wide network of companies, the technology Council created a new trans-governmental network

[18] Heseltine, Challenge, p.65.; John Peterson, "Technology Policy in Europe", JCMS, 29 (1991), 269-290.

of national officials and politicians. By 1987, their new Council was already important enough to be meeting five times a year.[19]

To achieve the full benefit of pre-competitive research, however, states and companies also had to encourage post-research competition. The means to this end was completion of the internal market. Once the research had created a new product, the IT companies needed the enlarged market to sustain the R&D costs of short-generation goods. IT cooperation therefore dovetailed with demands for liberalisation. Members of the political and corporate IT networks therefore added their voices to the growing internal market campaign. In the UK, the connection between high technology and trade was assisted by the merger of the two relevant ministries into a Department of Trade and Industry.

When Europe-the Future crossed the desks of those responsible for IT within Whitehall, they accorded it "equal priority" with the internal market as a British policy preference. Moreover, the paper declared boldly that ESPRIT had demonstrated that "governments can cooperate directly to encourage industrial activity at European levels".[20] As closer study of ESPRIT (above) has revealed, however, the Commission and heads of key technology corporations, and not states, were the prime movers behind the project. By mid-1984, however, the Thatcher Government was willing to claim ESPRIT as its own and declare information technology a policy preference.

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[19] Wessels, "EC Council" in Keohane and Hoffmann, eds. New EC, p.139.
[20] Europe-the Future, para.9.

3. External policy cooperation

After the internal market project, external affairs were Thatcher's favoured aspect of European cooperation. Although Lord Carrington had not seen the benefits of his London Report, his act of formal integration served both to codify evolved practices and establish a foundation for future evolution. In little over two years, the Thatcher Government would demonstrate an even greater commitment to cooperation in external affairs, resulting from three separate developments; a subtle shift in perceptions of security, the re-opening of the debate over European defence and the impact of IT on military technologies (as mentioned above).

The shift in perceptions of security flowed partly from the London Report which allowed ministers to discuss 'political and economic aspects' of security within EPC. In late-1983, however, a new series of events persuaded the British Government to pursue regional foreign policy objectives increasingly through EPC. In contrast to the London Report - a reaction to failures over Afghanistan at the start of the new cold war - the events inspiring the government's reconsideration concerned West-West relations.

The trans-Atlantic relationship underpinned Thatcher's approach to these relations, despite differences over the Siberian pipeline and economic embargoes. Her faith in American leadership, however, was shaken by events surrounding Grenada. Believing the special relationship allowed the UK privileged access to the United States' foreign policy process, especially over a Commonwealth country, she had the Foreign Secretary inform the Commons

there would be no invasion of the island. The same night, Ronald Reagan ordered an assault on Grenada, embarrassing the British Government and infuriating Margaret Thatcher.

While Reagan was proving less dependable than Thatcher believed, Europe east of the iron curtain was emerging through the CSCE process as an area for improved relations. Although NATO remained the cornerstone of western defence, there were opportunities for discussing regional security and confidence-building measures within the parameters of superpower standoff. Having moved across Downing Street from No.11 to the Foreign Office, Howe duly spent late-1983 outlining a new *Ostpolitik* to differentiate the central Europeans in the Soviet bloc from the more stalwart Communist countries further east. Operating under NATO's structures, Howe discovered EPC was a useful framework for coordinating intra-European diplomacy and pursuing his *Ostpolitik*.[21]

Combined disenchantment with the American ally and renewed interest in central Europe opened the door to a wider reconsideration of regional security, especially as Thatcher came to share Howe's concern for the re-discovered Europeans behind the iron curtain. Other EC partners were already moving in a similar direction. The French withdrawal from NATO and relocation of allied headquarters to Brussels in the mid-1960s had effectively frozen the intra-European debate on defence. Under the London Report, EPC was still limited to the political and economic aspects of security: Greek, Irish and Danish concerns meant it was unlikely to change.

The Genscher-Colombo initiative with its proposed EC Council of Defence Ministers, had attempted to restore

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[21] Dickie, FCO, p.230.; interview with Howe.

military security to the agenda. While the British Government proved unwilling to countenance challenges to NATO's primacy, Mitterrand displayed a lack of interest in the whole venture. Coupled with Irish neutrality and Danish suspicions over the Community's development, the initiative to provide the EC with a defence dimension appeared doomed. With little progress in the multilateral forum, Mitterrand appealed directly to Kohl to establish a Franco–German dialogue over defence.[22]

In 1984, persistent opposition from three governments to discussing wider security concerns through EPC drove the other governments to pursue their policy preferences through alternative institutions. Although the British Government had blocked the development of a Community policy on defence to protect NATO, the new Franco–German exchange appeared equally likely to divide the Alliance. The Italian response was to subsume the bilateral initiative in a wider European forum for debating defence, beyond NATO, the Eurogroup and the EC. To this end, Craxi encouraged Kohl and Mitterrand to join him in reactivating the seven–state Western European Union (WEU), effectively defunct since the 1960s.[23]

One advantage of WEU, comprising both foreign and defence ministers, was that it was not a purely military organisation. As such, it occupied the security policy 'space' between NATO's military alliance and EPC's rhetorical diplomacy. Another was that its membership coincided exactly

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[22] Wallace, "Relaunching the WEU" in Panos Tsakaloyannis, ed. The Reactivation of the Western European Union, (Maastricht, NL; 1985). pp.37–48.

[23] Jean–Marc Hoscheit and Tsakaloyannis, "Relaunching the Western European Union: an Overview", in Tsakaloyannis, ed. Reactivation, pp.9–22.

with the EC states wishing to press ahead: for these seven, WEU fulfilled a function. Moreover, as it was also a means to contain the Franco-German initiative and protect NATO's prerogatives, the Thatcher Government supported the Italian enterprise, though apparently with more Foreign Office, than Ministry of Defence, enthusiasm.

The last of the three developments involved the impact of changes in high technology on military expenditure. The previous section has already considered Heseltine's response to the spiralling costs of military materiel and the need for a medium-sized economic power to share R&D costs. From the security perspective, the option of simply buying equipment 'off-the-shelf' depended on the reliability of the monopoly supplier, in this case the United States. Thatcher's decision to update the UK's nuclear strike capability with Trident had maintained the nation's dependence on America. When Reagan unilaterally decided in 1982 to upgrade the Trident project from the C4 to the more expensive D5 model, Thatcher had to follow. Dependence had its costs.

Similar unilateral decisions, such as SDI, the Siberian pipeline and embargoes, raised questions about American dependability. Within his own ministerial remit, Heseltine's response was to promote a European common market for military procurement to complement the pre-competitive cooperation of the EFA project and provide alternative sources of supply. Given the security dimension of such economic activity, however, the EC was not an appropriate forum, while the WEU could have been a challenge to NATO. Though the latter's membership, including the United States but excluding France, ruled out the Alliance itself as an option, Heseltine

suggested upgrading its Independent European Programme Group (IEPG) to a European armaments agency. This forum would encourage a common military market among the Europeans and expose protected national suppliers to regional competition.[24]

The three challenges over external policy forced west European governments to look beyond the Community and NATO to other vehicles for cooperation. While EPC provided the means to develop a dialogue eastwards, not all ten member governments wished to discuss security. The Western European Union therefore became the chosen institution for seven on the explicitly military aspects of security. On military procurement, however, Heseltine chose NATO's pan-European IEPG, as it grouped states committed to Europe's defence.

Beyond Irish, Greek and Danish suspicions, other member governments found the WEU and IEPG convenient fora for other reasons. WEU, for example, served to deter Franco-German bilateralism which threatened to exclude other western governments. From the British perspective, WEU might one day still challenge NATO's hegemony over military security, but the Government would enjoy more influence in the seven-state WEU than outside bilateral arrangements. The most important feature of emerging collaborative patterns was that, though they could not always occur within the EC arena, they involved groups of EC member states. Though the preferred partners stayed the same, one of the more attractive aspects of these developments for the UK was precisely that they lay outside of Community and its legal framework.

In early-1984, when the FCO and MoD came to add their departmental concerns to Europe-the Future, they revealed the

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[24] Hartley, "Public Procurement".

Government's expanded interest in external affairs cooperation. While warning the United States that unilateral action "will put the success of Alliance consultation and coordination at risk", the British Government echoed Howe's *Ostpolitik* in reminding other EC governments that "Europe is more than western Europe alone". To fulfill its role in the world, their task was to "strengthen the European political entity" through the "progressive attainment of a common external policy". To this end, EPC was extremely useful.[25]

In defence and security affairs, Europe—the Future suggested "more could be done to exploit the potential of" the IEPG, while, for "early progress", governments should "look at new openings including those offered by the WEU". Whereas the UK had opposed the Genscher-Colombo 'Defence Council', it now espoused alternatives to "strengthen the European pillar of the Alliance and improve European defence cooperation". Developments since Copenhagen had clearly helped persuade the British Government to reconsider regional fora for defence issues, instead of relying on the trans—Atlantic relationship and NATO alone.[26] Europe—the Future revealed the extent of this transformation, with over one third of its paragraphs dedicated to external affairs.

4. Social policy

At the 1972 Paris summit, the heads of government had added three new policy areas to the Community's remit, in the hope that 'Europe' would develop into more than a commercial bloc.

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[25] Europe—the Future, paragraphs 14—19.
[26] Ibid, paragraphs 20—23.

Over the next twelve years, while member governments struggled to adapt to deteriorating economic circumstances, these areas quietly evolved. As policies flanking the common market, they slowly developed legislative frameworks, national constituencies and informal networks, even as protectionist governments re-nationalised the common market itself. The chapter will now consider these three policies (social, regional and environmental) in turn.

As chapter two's section on the internal market demonstrated, social policy played an important role in mobilising British business interests. Vredeling's Directive in particular resulted in "unprecedented opposition from vested employer interests", especially British and North American multinational companies.[27] Having examined the policy as background to the liberalisation campaign, this section will now consider it, in the UK context, as a policy area in its own right.

Within the Community, 'social' legislation had evolved from being a side-payment for Belgian miners in the 1950s and the Italian government in the early-1960s into an employment policy. When the 1972 summit asked for progress in this field, the Ortoli Commission seized the opportunity. Their Social Action Programmes (SAPs) became the basis of Commission action for the rest of the decade, even though the world economy and position of the member states were changing rapidly.[28]

The UK had a number of problems with the SAPs. Regardless of who was in power, the structure of British industrial

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[27] Lodge, "Social Europe", p.312.
[28] The first Social Action Programme of the Community is in EC Bulletin, 2-1974.; EEC Treaty Articles 117-122.

relations conflicted with the Commission approach. A common thread among continental systems of industrial relations was consensualism. In smaller countries, vulnerability to the world market led to economic openness and democratic corporatism, while the Federal Republic developed a market economy agreed among the social partners. French and Italian cultures were different again but still closer to the continental norm than the UK's voluntaristic system based on evolutionary common law. The whole corpus of British legislation was therefore at odds with the legal norms of Community legislation.

The House of Lords noted this difficulty and the SAPs' shift towards tackling EC unemployment, which strained the applicability of the policy's treaty base. The Lords highlighted the questionable basis of Commission actions and concluded that the "dominant purpose of any [EC] measure should be economic, and other purposes should be included only if clearly incidental to some economic purpose".[29] Vredeling's Directive was destined to conflict with the British approach at several levels.

Before Thatcher and the neo-liberals had established their political credentials, the private sector and its institutionalised interests were already leading the struggle against Vredeling's legislation. Defence of their members' corporate interests, rather than a flush of enthusiasm for the Community, led the two key institutions - the CBI once again and the IoD for the first time - to mobilise their resources on a European level. Reacting to similar aspects of the Commission programme, the two UK institutions

[29] The House of Lords' 22nd Report, Approximation of Laws, 1977-78. p.17. para.22(1).

nevertheless demonstrated dissimilar responses and strategies to the challenge.

When the Directive went to the EP, the CBI's early warning network sounded an alarm with its Brussels Office, UNICE colleagues, several Conservative MEPs and many larger British firms. The result was a coordinated response by British employer interests, with MEPs delaying the Opinion, while the CBI and its corporate members tried to win government support for their opposition. In support of its efforts, the CBI conducted a wide-reaching "dialogue with the CBI membership" to determine levels of awareness about the Community and take stock of the rafts of legislation which the Commission had introduced during the 1970s. Apparently not even the British state had done this yet. As EC legislation represented a cumulative burden on industry generally, the CBI widened the campaign. The Vredeling Directive had therefore aroused opposition to itself and inspired an investigation of directives affecting all companies since the early-1970s. Armed with such information, the CBI and larger companies could mobilise support for amending Vredeling's Directive.[30]

One side-effect of the CBI's campaign was that it reached a wide audience. Vredeling's Directive had demonstrated a failure to get the business view across in Brussels. The reactivated Europe Committee duly produced a text-book on influencing the process with the intention of involving other British companies in the Community network. Awareness of the transnational nature of the policy-making process and the fact that it was "far more important to visit the

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[30] CBI, The Impact of EEC Legislation on British Business, (London, 1981). Quotation from paragraph 1.; interviews with Raisman and Feeny.

[Commission] official who dealt with the problem *regardless of nationality*" became received CBI wisdom.[31]

While CBI involvement was a revival of earlier interests, the participation of the Institute of Directors constituted a first engagement with the EC. The Institute had previously been more of a London club than a policy institute, except for one episode in the mid-1970s. When the Labour Government had attempted to introduce 'industrial democracy', the IoD, whose historical roots lay partly with the directors of the infamous Taff Vale Company, naturally opposed the development.[32] Having successfully defeated the move, the IoD lapsed back into passivity until the Vredeling Directive.

The IoD was unlike the CBI in several respects. First, the IoD had no transnational network linking it with EC institutions or like-minded groups. Only in 1983 did it create a 'European Affairs Committee' to coordinate and express its views on the EC. In the meantime, individual members noted similarities between Vredeling and industrial democracy, and pursued their individual lobbying campaigns: IoD members were well-placed to do this.

Second, whereas the CBI had lost some of its insider status under Thatcher, the IoD was politically well-connected with good access to No.10 Downing Street. Whereas Thatcher and the neo-liberals disliked the CBI as a corporatist body, keen on industrial consultations and committees, the IoD seemed more committed to rugged free enterprise. In 1982, John Hoskyns strengthened the links with the Institute, when he left Thatcher's Policy Unit in Downing Street to become the

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31 CBI, Getting the Business View Across in the European Community, (London, 1981). pp.5,27. My italics.
32 Interview with Dr. Ann Robinson, head, IoD's Policy Unit.

IoD's Director General. The Institute thereafter had direct access to the core executive.

The CBI and the IoD adopted fundamentally different responses to the same challenge. Tapped into the EC network, the CBI chose a broad approach, lobbying both the national government and supranational institutions with UNICE allies, while attempting to mobilise its wider membership. The CBI's ultimate aim was to persuade the Commission to reconsider its approach and allow for different, national styles. The IoD, in contrast, had the aim of defeating the legislation outright and obstructing such regulation of the common market. Its strategy was to focus solely on the British Government and its veto in Council to block the Directive.

In line with the demands of the CBI and transnational companies, Vredeling's successor withdrew the Directive to review it. The changes made, however, were not sufficient and the Thatcher Government duly waited in Council to block its progress. Though a single national government could oppose further legislation, it could not reverse that which its predecessors had already accepted. Thatcher could not therefore revoke Directives accepted by Heath, Wilson or Callaghan, for example on equal pay and equal opportunities: in effect, the 1974–79 parliament had bound its successor. With the Commission unable to secure further legislation and Thatcher unable to reverse previous decisions, the Community was caught in a classic 'joint–decision trap'.[33]

Despite Thatcherite opposition to all new social policy, the Commission identified it as an important field in which

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[33] Fritz Scharpf, "The joint–decision trap: lessons from German federalism and European integration" in Public Administration, LXVI (1988), 239–278.

to make progress. As the recession ended, the Commission stressed the need to link recovery for the economies with policies to create and protect jobs. Following the same logic, Mitterrand's Socialist government called for a 'European social area' in late-1981, partly as a "Community umbrella for national priorities" in a reflationary, Keynesian policy.[34] Despite the *communautaire* rhetoric, neither initiative overcame the EC's decision trap.

In this policy area, Commission activism had a negative impact on the British policy-making community in the early-1980s. The response of British firms, the CBI and IoD was to mobilise opposition to the proposals. Unlike other policy areas, there appeared to be no British voice in favour of the Community position. Though ETUC approved the Commission's efforts, this did not translate into support from Britain's TUC. In contrast to the employers' organisations, the TUC's close connection to the Labour Party meant that the employees' peak institution remained largely unaware of the possibilities that the Community offered. The national trades union movement was therefore deprived of a Community avenue to its policy-making and no positive constituency championed the cause of social policy in the UK.

Even after endorsing the internal market project at Copenhagen, Mitterrand retained the 'Social Europe' idea and tried to open a tripartite 'social dialogue' among business, trades unions and government. While the British interpreted

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[34] 'May Mandate' in EC Bulletin 1/1981, p.15.; EC Bulletin, 11/1981, pp.100-109. Memorandum of the French government on the 'European relaunch', delivered at an October 1981 press conference; Françoise de la Serre, Jacques Leruez and Helen Wallace, French and British Foreign Policies in Transition: the Challenge of Adjustment, (Oxford, 1990). pp.112-3.

the internal market as a liberalising venture, the French Socialists continued to regard it as compatible with an interventionist social and industrial policy. Partly for this reason, the British Government avoided any mention of social policy when drafting Europe—the Future: it stressed instead the role of liberalisation as a means to create jobs. That the SEA includes a restatement of social policy in its own right, provisions for majority voting, and the sanction of 'social dialogue' at the Community level is important. Taking Europe—the Future as a clear statement of the British Government's lowest-common-denominator, it is evident that the inclusion of social policy in the SEA denoted a compromise upgrading the common denominator.

5. Regional policy

Before the Paris 1972 summit, the Community had not directly pursued a regional policy - that is one designed to address imbalances in prosperity among the Community's regions. Though the CAP did in effect redistribute the EC budget,this was not in a systematic or economically rational manner. But knowing that the 1969 own resources bargain would harm UK interests, Heath had pressed for a Regional Developmental Fund (ERDF) as a new intergovernmental bargain on Britain's accession.

For party—political reasons, the incoming Labour Government pursued the renegotiation of the UK's entry terms instead, and this half—heartedly. As a result, Wilson won only a modest "clawback of the Danegeld" - as the Daily Telegraph described it - which failed to offset the redistributive

nature of the EC budget and CAP. Moreover, he also failed to secure a satisfactory share of the ERDF for the UK.[35] The EC's regional policy would therefore fail to make much impact within the United Kingdom, either to the regions' economies or to the state's net contributions.

A more overtly political dimension to the EC's regional policy only started to emerge in the late-1970s, over the creation of the European Monetary System (EMS). Both the Italian and Irish governments had expressed concern about the impact of the EMS's promised monetary discipline on outlying regions. By surrendering exchange rate controls from their fiscal arsenals, the two risked exposing their weaker economies to the full force of West German monetary policy.

The price of their EMS participation was increased support from the EC's regional policy. The linkage the two attempted to establish was an important political departure, because they sought financial redistribution to tackle a specific economic (rather than budgetary) problem. Whereas the CAP and other funds unsystematically transferred funds around the Community, the two governments wanted targeted regional assistance directly linked to the new policy proposal.

Most member governments hoped the Irish and Italians would "join the EMS so it would be a *European* Monetary System", instead of merely "an enlarged Snake". The majority, however, made it clear they would press ahead with their Monetary System without them if necessary, and the net contributors to the budget made clear their unwillingness to

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[35] Ross Talbot, The European Community's Regional Fund, (Oxford, 1977).; George, An Awkward Partner: Britain in the EC, (Oxford, 1990). p.82.; 'Danegeld' quoted by Garrett FitzGerald in All in a Life, (London, 1991). p.163.

increase EC transfers. As the proposed EMS lay outside the Community, the Irish and Italian governments found they had little leverage over receipts from the internal EC budget.

Coupled to the net contributors' reluctance to agree further expenditure was a lack of policy language and rhetorical justification for creating a policy to cope adequately with the demands of its poorer members. In debates over the EMS, the key term had been 'economic convergence'. The Irish and Italian governments' cases suffered partly because the debate centred on convergence of economic policies, rather than convergence of economic performance. The policy linkage therefore failed, and only the decision of these two poorer governments not to press their case avoided "a damaging north/south split" in 1978.[36]

The accession of Greece added a new dimension to the debate, especially as the Socialist (PASOK) government was distinctly less *communautaire* than either the Irish or Italian ones. Having secured entry ahead of the Iberian states, the Greek government gained leverage over those member governments who wished to extend Community membership to Spain and Portugal. The PASOK government threatened to block further accessions unless it secured greater financial transfers. Unlike the Irish and Italian governments, Andreas Papandreou wielded a convincing threat as Iberian accession to the EC required unanimity. The 'Greek gambit' paid off: the EC created the Integrated Mediterranean Programmes (IMPs) as a side-payment for Greek acquiescence over enlargement.

The IMPs compromise, however, did not settle the policy debate over intra-Community transfers to offset regional

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[36] Jenkins, Life at the Centre, pp.484,489.

disparities. The launch of the internal market project, which worried peripheral, weaker member states (just as the EMS had) and the adoption of the Commission white paper would soon restore the issue to the EC agenda. As the internal market gathered momentum, so the calls for a policy of regional redistribution to balance it also gained pace.

Despite the ERDF's British heritage, however, there were few calls from London for its development. The Thatcher Government itself was ideologically opposed to such intervention constraining the operation of the market. At the DTI, Norman Tebbit had started the "long-overdue rationalization and scaling down of regional assistance", whether from London or from Brussels.[37] This had the electoral advantage of affecting the more peripheral parts of the British union, where Conservative support was weaker. So, when the Greek government exploited Iberian enlargement to press for further funding, the British viewed the problem as a net contributor, rather than as an ERDF beneficiary.

For the 'regions' themselves - to the extent that they existed within the United Kingdom - the Community remained a distant institution, even for the three areas which stood to benefit most, namely Scotland, Wales and Northern Ireland. Though the EC had gained some loyalty in Ireland and Greece, at least in part due to its redistributive programmes, British sub-national ties to the supranational institution in Brussels had made little headway. Though the United Kingdom regularly received a large share of the ERDF, the amounts were too small and too widely spread across the nations of the UK to have much impact.

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[37] Lawson, View from No.11, p.442.

The financial considerations were probably secondary, however, to the structural ones. Though these three regions were represented at the cabinet table in Whitehall, their influence on European policy and knowledge of the EC were still limited. This was in part due to the internal structures of the British state. First, local government was weak in the centralised UK, even compared to France. Second there was no regional executive level, and even the three British nations mentioned above were administratively weak. Last, the Thatcher Government was deliberately undermining sub-national government's financial and political autonomy. With these structural handicaps, it is perhaps not surprising that any regional discontent with the British union did not find expression in appeals to the Community.

Of the three regional nations, only Scotland retained much of its original legal and political tradition, due to the 1707 Act of Union. Despite the tensions with the government in London, however, Scottish representatives did not seek an 'auld alliance' with continental Europeans to strengthen their hand within the union. Only after the Single Act had entered into force did the Scottish National Party (SNP) perceive political and economic advantage from the Community. They did not therefore contribute to the regional aspects of the SEA's making. Only in the 1987 general election did the SNP first run under the banner of "An Independent Scotland in a United Europe".

Throughout the 1980s, Plaid Cymru (PC) - representing the Welsh nationalist perspective - maintained its suspicion of the European Community, despite Wales' benefitting from considerable EC financial transfers. When a change of view

came, the PC appears to have altered its position over constitutional, rather than purely financial, considerations. The Commons debate on St David's Day in 1991 marked a watershed, when PC MPs argued that the "principle of subsidiarity" - defined as a "devolving, decentralising or federalising of political power" - should apply as equally to Wales' relations within the British union as to those between the UK and the EC.[38]

The case of Northern Ireland within the UK remained the most difficult. Though materially one of the poorer regions of the Community and therefore a candidate for ERDF transfers, the province was also a besieged corner of the British union, and the EC region closest to a state of war. Moreover, since the early-1970s, Ulster had been under the direct parliamentary authority of Westminster, and Unionist MPs were naturally staunch supporters of the British union and its Parliament. Loyalty to the UK therefore outweighed any gratitude towards Brussels for Regional Development Fund receipts from the Community.

Within the UK, the positive constituencies which might have evolved from the EC's regional policy instead remained suspicious of the Community. The smaller nations within the union did not yet regard the EC as an ally against the government in London, partly due to the structure of the union itself, while England had no formal regions. British regions lacked the combination of strong identity and institutional framework of other EC regions, such as the German *Länder* or even Spain's Catalonia. The British regions were therefore unable to influence the London policy-making

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[38] Hansard, 6th, Ser,. vol.186, 27 February 1991, col.1182.; vol.195, 17 July 1991, col.381.

community which dealt with the EC. This was especially true under the Thatcher Governments of the 1980s, for the areas of the UK most likely to receive EC funding were not Conservative strongholds.

When the Thatcher Government drafted Europe—the Future, it could therefore exclude regional policy as one of its priorities for three reasons. Politically, the ERDF was implicated in a Heathite pro—Community approach and therefore rejected by Thatcherites. Financially, it benefitted areas where the Conservatives fared less well. Ideologically, such intervention and interference with market forces ran directly counter to neo—liberal orthodoxy. Although three British regions were represented at the cabinet table, they were unable to wield sufficient influence to deflect the core executive from its policy preference.

6. Environmental policy

At the 1972 Paris summit, the Community had also gained a responsibility for environmental protection. Partly in response to the United Nation's global initiative at Stockholm earlier that year, but also due to domestic pressures within the Community, the heads of government proposed a European initiative.[40] From these modest origins, an environmental protection regime evolved which the member governments deemed worth codifying in the Single Act. This section will investigate the development of this policy from the British perspective.

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[40] Nigel Haigh, "The European Community and International Environmental Policy", International Environmental Affairs, 3 (1991), 163—180.

Taking evidence on EC environmental protection in July 1979, a House of Lords sub—committee discovered that the Community had in fact developed a considerable raft of legislation through two Environmental Action Programmes (EAPs) since Paris. But not one of the expert witnesses, even the responsible Whitehall officials, could tell their Lordships how extensive the legislation was. Indeed, the view was still "widely held——and certainly within the Department of Environment——that Community environmental policy had little or no effect on Britain". The state had clearly not been an effective gatekeeper for international legislation. The sub—committee's response was to ask one of the witnesses to investigate the issue more closely. As the Commission drafted its third EAP, Nigel Haigh duly undertook to discover the effect of the Community's environmental legislation on the UK.[41]

Though the heads of government in 1972 had provided only a vague mandate, the Commission had adopted an activist approach to develop a suitable environmental policy within these parameters. The greatest limitation was that, without a treaty base, the Commission had had to introduce all environmental legislation under either article 100 on harmonisation or the 'catch—all' article 235, both of which required unanimity. To overcome the lack of specific objectives, the Commission had set the agenda itself and gradually extended its field of activity, starting in 1973. For the next six years, until the Lords' noted the extent of EC legislation, the Commission proposed acts in line with its

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[41] The House of Lords' Environmental Sub—Committee.; Haigh, EEC Environmental Policy and Britain, (London, 1984). p.i.; 3rd Environmental Action Programme (EAP): Com (80) 222 final.

EAP frameworks, which ministers had accepted: the Community thereby developed a raft of environmental legislation without attracting undue attention.

In the case of the United Kingdom, this development was assisted by three specific state attributes. First, as the UK is a unitary state, most governmental activity occurs through administrative, rather than legislative, means. Orders in Council, for example, allow ministers to take executive decisions with only minimal parliamentary scrutiny. In federal states, such decisions require greater interaction between the two levels of public authority and are therefore more transparent. But as much of the EC's environmental programme could be handled through executive means, it rarely required action by Parliament or its select committees.

Second, although Heath had created a Department for the Environment (DoE) in 1970, its name concealed its 'super-department' status, resulting from the merger of ministries of housing, public building, local government and public works.[42] With such an administrative heritage, the policy of environmental protection was only one of the many concerns for the DoE's Secretary of State. The responsible division could not therefore command significant ministerial attention. It was open, however, to influence from other agencies within London's environmental policy-making circle.

Last, as environment policy stemmed originally from international sources in response to overseas pressures, it proved a bureaucratic challenge for a home department, like the DoE. This was especially true of the flow of directives from the European Community, which were agreed 'overseas' in

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[42] Hennessy, Whitehall, pp.436-8.

Brussels, but had to be implemented by the domestic administration. "So long as EC legislation was regarded as an aspect of foreign affairs", the DoE, its ministers and most relevant policy institutes regarded it as "something rather remote" from their daily activities.[42] The extent of EC legislation and its impact were therefore concealed by the structure of the British state and the nature of the regime's origins.

As with social and regional policy, the CBI and British companies with transnational interests felt the regulatory burden of the EC's environmental legislation before the British state recognised what had happened. The reason was that when UK ministers agreed Commission proposals during the 1970s, the style of environmental protection they created proved a double-edged weapon. While the legislation usually contributed to higher levels of environmental protection, it also set new regulations on companies operating within the Community.

Whereas environmental protection was regarded as a public good, individual pieces of legislation directly affected only specific societal actors and could be seen as a private burden. The CBI calculated that the Commission Directive on compulsory environmental impact assessments, for example, while ensuring a uniform level of protection, would also "add substantially to planning delays and costs" for British industry.[43] Environmental legislation from the Community therefore served to mobilise the larger companies in the same manner as the Commission's social policy had. The CBI's

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[42] Haigh and David Baldock, Environmental Policy and 1992, (London, 1989). Quoting pp.46,294,300.
[43] Com (80) 813.; CBI, Impact of EEC Legislation, Annex V.

initial response was similar; to champion industry's cause and oppose the Commission's efforts.

In contrast to the EC's social and regional policies, however, British interests sympathetic to environmental protection were sufficiently coordinated and informed to defend a Community dimension to their efforts. Although there were many groups in the UK with environmental interests, ranging from Greenpeace to the National Trust, one in particular played a crucial role in the context of EC legislation. As a policy institute rather than a public pressure group, the Institute for European Environmental Policy (IEEP) proved a consummate insider in the EC network.

Within Whitehall, the IEEP enjoyed extremely close contacts with the relevant divisions of the DoE. In the Community itself, it was directly linked to partner institutes in the Netherlands, France and West Germany, which formed a transnational network.[45] As a policy institute able to provide detailed and accurate information to officials, the IEEP soon acquired insider status and intimate connections with the DoE. When, in 1979, the Department and the Lords' Committee needed to know the impact of EC legislation in this field, they duly turned to the IEEP's new Director, Haigh.

In late 1983, shortly before the British Government started its Europe—the Future exercise, Nigel Haigh produced the first fruits of his research. In EEC Environmental Policy and Britain, he revealed that the Community had agreed a total of 135 Regulations and Directives on environmental protection in a little over twelve years. These pieces of legislation in turn underpinned most of the UK's laws on

[45] Interview with Nigel Haigh, Director of the IEEP.

environmental protection, many of which had also been drafted since 1972 and were therefore dependent on an EC framework. More importantly, he discovered that several EC Directives had in fact transformed British policy in this field.[45]

Concealed by the use of executive orders in the unitary state, Community legislation had greatly influenced British administrative practice in environmental policy, without alerting the practitioners. The case of certain Commission Directives, for example that on water pollution, had a still greater impact than understood at the time: in this case, British ministers only realised the full effect of the legislation they had agreed when they decided to investigate the possibilities of water privatisation.[46] Though in other cases the government had played a highly public role, such as over the Whale Regulation, the general balance of influence over EC environmental laws lay with the activist Commission.

The various pieces of legislation in the Commission's EAP framework constituted the basis of an environmental policy, even though each piece was decided under two treaty articles. The extent of the positive constituency in the UK became apparent in 1978 when the Lords declared that it had been "wrong to use [these common market Treaty articles] as a legal base on which to found an environmental policy". The Committee later noted that much of the Community's environmental legislation had only the most tenuous connections with inter-state trade. Despite the declarations of the 1972 summit, parts of the Community's raft of

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[45] Haigh and Baldock, Environmental Policy.

[46] See D. Taylor et al., "EC Environmental Policy and the Control of Water Pollution: the Implementation of Directive 76/464 in Perspective", JCMS, 24 (1986), pp.225-246.

environmental legislation were *ultra vires* and therefore liable to challenge in national courts and the ECJ.[48]

The anti-Marketeers on the Committee welcomed the interpretation that, as the Community had no legal base on which to build its environmental programme, the Commission should not have proposed legislation in this field. Those of a pro-Community disposition concluded that member governments should consider amending the Treaty, instead of leaving the existing Directives open to challenge. For operational reasons, this last point convinced those in the UK favouring environmental protection to support the pro-Community approach as they were anxious not to undermine the positive aspects of the EC's legislation.

Moreover, if companies or interest groups contested the EC decisions as *ultra vires*, then British laws derived from and dependent on EC law might also be challenged. The Commission's efforts since 1972 had created a body of laws which the House of Lords deemed worthy of protecting. With the legality of such a considerable body of legislation "hotly disputed" due to the Commission's reliance on "a liberal interpretation" of two articles, only a suitable treaty base could secure the EC's existing environmental protection.

This also suited the Commission, which wished to move beyond the EAPs and 1972 mandate, to a formal treaty base and majority voting. Moreover, as all easy and "quick solutions [to environmental challenges had already] been exhausted" by

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[48] Select Committee on European Communities, 22nd Report. Session 1977-78. "Approximation of Laws under Article 100 of the EEC Treaty", (HL 131). Quotation p.7.; Report. Session 1979-80. "Environmental Problems and the Treaty of Rome".

the Commission, legislation in the mid-1980s would become increasingly difficult to agree. Several other member governments had already agreed and advocated the extension of the QMV rule to any new environmental treaty base.[48]

The UK position was defined by two extremes: at one end, the business interest complained of excessive EC regulation, while at the other end, the pro-environment groups wished to maintain existing levels of protection. Unlike social and regional policy, the core executive therefore faced constituencies which both favoured and opposed these developments. Though the Thatcher core executive opposed amending the treaty and especially calls for shifts to QMV, the weight of informed opinion already favoured the creation of a treaty base. Within the UK, environmental policy had the political support of institutes such as the IEEP and the Lords' sub-committee. The latter even advocated treaty amendment itself, so as to ensure that EC laws would continue to function as effectively as they had. The core executive's options were limited at either end, but generally open.

The Government's Europe-the Future paper therefore stressed the importance of protecting the "environment of our consumers" to give it a free trade 'spin'.[49] It included only three cases where positive action was necessary, namely leaded petrol, acid rain and trans-frontier shipments of hazardous waste. Due to the ideological preferences of the Government and the lobbying of the CBI and certain British

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[48] Lodge, "Environment: towards a clean blue-green EC?", in Lodge, ed. EC and Challenge of the Future, pp.319-326. Quotation pp.319-20.; D. Briggs, "Environmental Problems and Policies in the European Community" in C. Parks, ed. Environmental Problems: an International Review, (London, 1986).; IEEP, 1983 Annual Report, (London, 1983).

[49] Europe-the Future, paragraph 10.

companies, the core executive chose to stress the importance of an environmental regime which did not limit economic growth.

7. Monetary cooperation

The Single European Act only mentions monetary cooperation briefly and yet the issue later came to dominate British anxieties about the Community. Beneath the surface, this issue had also evolved during the 1980s. The apparently minimal progress achieved in the SEA, with 'Economic and Monetary Union' (EMU) relegated to parentheses and the creation of only one new article, concealed the bitter intergovernmental disputes during the 1985 conference. In contrast to the three preceding issues, however, monetary cooperation did not evolve in a distant, barely noticed corner of the outer executive, but at the centre of the core executive. Though the structural causes were indeed international, the UK response was shaped by distinctly national party politics.

Under United States leadership, the post-war Bretton Woods monetary regime had underpinned the economic recovery of western Europe. Within the regime's stability, the original EEC Six were able to create their common market and plan for full EMU, while the EFTA Seven developed their less ambitious free trade area. The collapse of the Bretton Woods regime under the "increasing contradiction between the state and capital" exposed the west European economies to monetary disorder. The national state was gradually losing its ability to manage the national currency. The increasing

mobility of capital itself undermined unilateral efforts at management of the national money, as *de jure* sovereignty over a currency increasingly failed to translate directly into functional, *de facto* autonomy over it.[51]

Exposed to the state–capital contradiction, west European governments had to devise their own solutions in the early-1970s. Though the EC governments had recently committed themselves to EMU, their operational response was the more modest 'snake'. Heath also committed sterling to the snake, but it stayed there less than four months. The episode revealed two important features of European monetary cooperation. First, the collapse of the Bretton Woods regime affected all west European states, not only those within the Community. The Treaty of Rome, written while Bretton Woods underpinned western stability, did not contain the necessary provisions for pursuing purely EC responses: policy options therefore had to be more European than *communautaire*.

Second, in selecting a regime through which to respond, the west European governments rejected bilateral efforts with the United States or multilateral efforts through institutions such as the OECD. Instead another identity of interests underpinned their response which was regional and European, but not legally based on the Community. As hopes for EMU receded, the member governments reinforced their functional cooperation with the European Monetary System (EMS) in 1978, as a successor to the snake. One of Thatcher's first decisions on European policy was in fact to continue Labour's post–IMF crisis policies of national monetarism, a floating currency and independence of regional regimes. Membership of

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[51] Scott Lash and John Urry, The End of Disorganized Capitalism, (Cambridge, 1987). p.6.

the EMS and its Exchange Rate Mechanism (ERM) soon became a divisive feature in British politics.

Thatcher's anti-ERM response at Strasbourg had not been, however, a foregone conclusion. While in opposition, Heathites and pragmatists on the Conservative front bench had declared their support for the "principle of the System" and even Thatcher had stressed the need to pull "out of the problem of world recession by cooperation with our partners". But, neo-liberal anti-Marketeers such as John Biffen warned that membership of the EMS would undermine a "liberal economic domestic trade and monetary policy at Westminster".[52] Following the election, Thatcher raised Biffen to her Cabinet as Chief Secretary at the Treasury. By altering the balance of opinion within the core executive, she signalled the future direction of British monetary policy.

Caught between the neo-liberal right opposing entry and the Heathites supporting it, the ERM became part of the Conservatives' intra-party struggle. In this contest, Thatcher had two main political concerns; first, to distance herself from her predecessor on the back-benches who favoured entry to the ERM at its inception (as he had with the snake), and, second, to marginalise the wets in cabinet. As they conveniently espoused ERM membership as an alternative to her "monetarism in one country", the Mechanism became a symbolic issue on which to decide whether a Tory was truly 'one of us'.[53] For presentational purposes, the Government officially committed itself to joining the ERM when the time was ripe.

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[52] Times, 10 July 1978; Hansard, 5th Series, vol.953, 10 July 1978, col.1039.; Financial Times, 31 October 1978; Times, 16 November 1978; Times, 30 November 1978.
[53] Hansard, 5th Series, vol.953 (10 July 1978), col.1039.; Willetts, Modern Conservatism, p.129.

In these circumstances, a rational calculation of the ERM's desirability in the light of UK interests was, at best, unlikely. In fact more rested on the UK's decision than many of the in-fighting Tories realised. Within the Community, one Brussels insider believed that a British decision to enter the ERM might have triggered "off a broadly based advance across several fronts" in the Community. Commission President Jenkins regarded sterling's entry into the ERM as likely to take the EC over a "political threshold" and allow a relaunch of its wider fortunes.[54]

In mid-1981, the ERM became one of the last issues the wets championed before Thatcher finally captured the Cabinet. Interestingly, the pressures to join now came from both ends of the spectrum. The core of wets within the cabinet, chief of whom was Ian Gilmour, echoed backbench Heathites in their calls for immediate ERM membership. Though joining the ERM during the British Presidency would undoubtedly have been a diplomatic coup, the FCO minister was not selling out in the manner which the PM might have feared.[55]

Unfortunately for Thatcher loyalists who wished to join the exchange rate mechanism, the support of the wets and Heathites for the cause only served to undermine their case. Since 1978, the Financial Secretary to the Treasury had favoured ERM membership, but he had dutifully toed the party line during the early Thatcher years. With Biffen promoted from the Treasury, Nigel Lawson believed that on "hard-headed politico-economic grounds" the government should reconsider the case for ERM membership. As a politician, Lawson also

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[54] Ludlow, Making of the EMS, pp.viii,298. and Jenkins' Monnet Lecture, Florence, quoted in Ludlow.
[55] Gilmour, Dancing with Dogma, p.61.

had party-political and electoral reasons for re-opening the debate in mid-1981.[56]

First, the politico-economic reasons; while sterling had floated in splendid isolation, the ERM had gradually settled into a system of relatively stable exchange rates with only three major revaluations in the last two years. Its embedded monetarism encouraged discipline, as Mitterrand's Socialist Government was discovering to its cost. The Conservatives' liberalisation of capital controls in 1979, coupled with the City's importance as the primary offshore Eurodollar market, made even 'monetarism in one country' ever more difficult to manage. Liberalisation rendered the government increasingly "unable to regulate and orchestrate its national currency" through a national Medium Term Financial Strategy (MTFS) based on 'M3'.[57] For the Treasury, ERM membership was an attractive proposition due its convincing and practicable monetary discipline.

As an MP, Lawson was also aware of the party-political dimension. In the struggle between wets and dries, the ERM was most clearly associated with the former. In contrast to Lawson's analysis of the Mechanism's embedded monetarism, those backbenchers calling for a "relaxation of monetary discipline, are those who are keenest on the UK joining the EMS". By joining the ERM, Thatcher loyalists could 'dish' their Heathite opponents and "turn their sword against them". Though the IEA and Alan Walters rejected ERM membership with neo-liberal arguments of their own, Lawson was in good

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[56] Interview with David Willetts, MP and former-Treasury official; Guardian, 23 September 1978; Lawson, View from No.11, pp.111-113.
[57] Lash and Urry, Disorganized Capitalism, pp.204-5,209.

company. Friedrich von Hayek had argued against governments' monopoly supply of national currency precisely because they were prone to abuse their position for political and electoral purposes. His logical solution to 'denationalise' the money supply did not find favour with the British premier, who usually followed his thinking, but who was also attempting monetarism in one country.[58]

In September 1981, while Lawson was still making his case within the Treasury, Thatcher acted to break the influence of the wets within her Cabinet. Caught in the intra-party struggle, UK policy towards the ERM was determined more by the victory of the neo-liberals than by rational calculation of national interests. In the subsequent reshuffle, Thatcher moved Lawson to the Department of Energy, ending his responsibility for monetary matters: not for another two years could he return to UK policy over the ERM, but, when he did, the end-game of his plans coincided unhelpfully with the 1985 IGC.

As Thatcher promised, the Government did keep the issue of ERM membership under review in the intervening years, but on no occasion over the next three years did the time ever appear even remotely 'ripe'. Returning to the Treasury in 1983 as Chancellor, Lawson attempted to restore the ERM to the agenda. Given Thatcher's personal opposition (her infamous phrase 'when the time is ripe' was rapidly becoming a "synonym for 'over my dead body'"[59]) and the symbolic nature of the issue, he would have to find allies, both within and

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[58] Gilmour, Dancing with Dogma, p.61.; Lawson, View from No.11, quotations pp.111-113; Willetts, Modern Conservatism, pp.129-130.; Friedrich von Hayek, Denationalization of Money, (Vienna, 1976).

[59] Reynolds, Britannia Overruled, p.240.

outside the core executive. Political backing from Howe, now at the FCO, would be critical. Lawson also needed the official Treasury on his side, whereas most officials had opposed entry in 1981, when only the Governor of the Bank of England had agreed with Lawson.[60]

Separate developments helped his case with his colleagues. Chief among these was the inherent logic and direction of Thatcherite economic policy. The government would eventually have to stop being 'agnostic' on the exchange rate and realise the ERM was the only practicable regime for managing it. Moreover, perceptions of the ERM were evolving. The member governments had proved unable to agree the institutional changes required to upgrade the EMCF to the European Monetary Fund (EMF) in 1981, thereby dealing a blow to aspirations that EMU could simply be legislated into existence.

During the 1982 Genscher–Colombo initiative, the Italian minister had pressed once again for the institutional upgrading, but no consensus emerged and such tinkering appeared increasingly irrelevant to the economic challenges facing the EC and its member states. The more the ERM became associated with operational monetary cooperation and divorced from symbolic acts of integration, the more it might become acceptable to Conservatives.

Across the Channel, the ERM's embedded monetarism demonstrated its restraining effects on French efforts for 'Keynesianism in one country'. Elected to pursue an expansionary policy, Mitterrand fell foul of the ERM's discipline. Faced with a choice between dropping the

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[60] Lawson, View from No.11, pp.111–3.

policies of the hard left or leaving the ERM and incurring German wrath, Mitterrand renounced the former and appointed Jacques Delors as his new, centre-left minister for finance. While the operation of the EMS drove the French Government from its preferred policy, it served to assuage British anxieties about its development. Even though sterling was not part of the exchange rate mechanism, it was in the basket of currencies which constituted the ECU, and Treasury officials therefore had a responsibility for its smooth functioning. A growing familiarity with the EMS probably weakened initial opposition to membership, although the officials would clearly take their lead from ministers.

Beyond the executive, societal actors were also taking an interest in the ERM. When the Chancellor finally launched his pro-ERM campaign, he was likely to have allies beyond Whitehall. The Federal Trust, for example, had assembled a board of experts to consider ERM membership. Their conclusion in early-1984 was that the time was indeed ripe for sterling to join the ERM.[61] The Trust, however, had little impact on the Government's views. As an explicitly pro-Community institute, the Trust did not enjoy insider status with Thatcher. Better placed to achieve their political objectives were the CBI and IoD: each in their own way would become crucial to the debate over the ERM. Several of the CBI's transnational members had already stressed the importance of exchange rate stability to their operations in an internal market. Understanding the opposition such a policy would arouse, the larger companies chose to pursue deregulation first, hoping monetary cooperation would follow.

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[61] Federal Trust, The Time is Ripe: the European Monetary System, the ECU and British Policy, (London, 1984).

Within the CBI, the Europe Committee nevertheless put the ERM on the agenda. Supported by MEPs such as de Ferranti, the members of the Committee attempted to convince the other CBI bodies of their case. As with the internal market project, the larger member companies identified interests in the venture before political institutions or smaller companies did. The latter, however, were generally hostile to ERM membership. At the 1983 annual conference, executives from larger companies introduced a motion regarding freer trade which passed by only two votes. A year later, they broached the issue of the EMS: the Confederation's consensus was still against membership, but it now welcomed the internal market project. The campaign for ERM membership would clearly be harder to sell.[62]

The Institute of Directors, with closer links to Thatcherite neo-liberals, was a less likely convert. It had established a European Affairs Committee to liaise with the wider policy-making community in the field. Like the CBI's Europe Committee, the IoD's Committee also included a number of MEPs, who favoured both the internal market project and monetary cooperation.[63] Despite their efforts, however, they were barely able to have the issue debated, let alone to convince the IoD's membership of the ERM's value.

In early-1984, when a solution to the budgetary crisis and Mitterrand's pro-European rhetoric made a British response necessary, the debate on ERM membership had barely progressed since 1981. Only the Federal Trust unequivocally supported membership, although the CBI, and to a lesser extent the IoD,

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[62] Interviews with Feeny, Raisman and Honour.
[63] Interviews with Robinson and Mather.

were debating the issue internally. The extent to which the Chancellor was aware of these developments is unclear, but he apparently decided that the preparations for his campaign were not yet complete. Believing the ERM would eventually be "welcomed by all true 'Thatcherites', even though it was evidently anathema to Margaret herself", Lawson waited.[64] Whatever else the Treasury added to drafting Europe—the Future, it did not insist on the inclusion of closer monetary cooperation.

8. Institutional reform

Since early—1981, the primary focus for politicians wishing to reform the EC's institutions had been the Genscher—Colombo initiative. Whereas the Danish Presidency had focused on more limited but valuable sectoral projects, such as the internal market and ESPRIT, the German presidency had returned to institutional reform. Given Genscher's long experience, he was apparently the principal mover behind efforts to produce a definitive text before the Stuttgart European Council. Despite his efforts, the Political Committee negotiations over the draft Act of European Union (AEU) suffered from three related difficulties.

First, the Committee consisted of the national officials responsible for EPC, not for the EC. Although senior diplomats in their national ministries, the Political Directors lacked the Permanent Representatives' familiarity with the Community to reform its institutions. Second, by focusing almost exclusively on EPC, the Committee was unable

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[64] Lawson, View from No.11, p.504.

to create the packages so crucial to upgrading intra-EC compromises. Third, their discussions were conducted under the shadow of EPC's strict unanimity. As such, there were no incentives to demonstrate flexibility.

Debates therefore followed the policy preferences of the most reluctant governments, leaving compromises to sink to the lowest-common-denominator. Against Italian, German and Benelux aspirations for a qualitative leap towards 'European Union', the Thatcher Government could exploit the need for unanimity as it was not seeking changes to the status quo. The new French Socialist Government similarly opposed much of the Genscher-Colombo initiative. For different reasons, the Greek and Irish governments also applied the brakes as there was little either wanted in the field of external policy. The result of the negotiations was therefore always more likely to suit the minimalists' policy preferences.

In short, the format of the talks militated against the breakthrough which several governments sought. Within this context, the more Genscher pressed the Political Committee to produce definitive results, the more modest those results became. Over the six months after Copenhagen, his European Act was slowly downgraded to a simple Declaration, while its original contents were reduced to vague rhetorical commitments. The 'Solemn Declaration on European Union' marked the extent to which the British Government was willing to go. Having denied Genscher his Defence Council and Colombo his institutional reforms, Thatcher joined the other heads of government in accepting the Stuttgart Declaration.

Having blocked the Genscher-Colombo initiative, the British Government might have thought itself secure from further

attempts at institutional reform. Instead, the relative failure of the governments' Solemn Declaration simply inspired the EP's Institutional Affairs Committee (IAC) to produce the first complete draft Treaty on European Union (dTEU). If, as one Brussels insider suggests, Genscher had launched his initiative "with the sole objective of pre-empting" the EP's efforts, then his plan ultimately backfired. In fact, the governments' decision to exclude the EP from the proceedings only served to inspire the IAC to greater efforts.[65]

The EP's dTEU proposed to bring all forms of European cooperation under the one 'Union' roof. Reacting to the increasing number of functional fora outside the EC, the EP proposed to expand the Community structure to bring the emerging types of informal cooperation within the EC. These included monetary affairs and the ERM, the system of regional transfers, and both environmental and high technology policies. Despite the evident reluctance of the governments, the EP also advocated that all facets of the more formal cooperation over external policy, including the military aspects of security, defence and arms procurement, should also come within the 'EU'.

In contrast to Genscher's plans, the EP proposed an explicit subsidiarity clause to accompany such wholesale transfers to Union competence. This would limit the Union to responsibilities which national governments could no longer achieve alone. Whereas different combinations of governments

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[65] De Bassompierre, Changing the Guard, p.78.; interviews with Fernand Herman, Belgian EPPG MEP and member of the IAC; Christopher Jackson and Derek Prag, British EDG MEPs and members of the IAC.

were looking beyond the EC for other fora to meet their functional needs, the EP wished to expand and differentiate the Community. While states developed their policy fora, they often omitted to create the representative part of the legislative and judiciary at the European level. In effect, the executives were reserving both functions to themselves.

Although the IAC contained an unrepresentative number of federalists, the aim of Spinelli, Herman and Ferri was to appeal to a broad cross-section of the EP's party Groups. Nevertheless, the impact of the UK MEPs was constrained by their lack of support from Westminster. Their national party refused even to consider strengthening the Community itself, let alone the directly-elected EP. Despite this, members of the EDG played a constructive role in the intra-Parliamentary negotiations over the dTEU. Over the Luxembourg Compromise, for example, they persuaded their more maximalist colleagues not to abolish it immediately: the IAC duly added article 23.3 which protected it for another ten years.[66]

Enthusiasm in Strasbourg, however, appeared unlikely to spill over into many national capitals. While the inter-governmental initiative ended at Stuttgart, the EP's proposal gathered momentum. In mid-1981, when the Parliament decided to create the IAC, less than half the EP's members bothered to vote. A year later, when the EP committed itself to a full treaty, almost three quarters voted. More importantly, those in favour by then represented all nationalities and major party Groups. Within the United Kingdom, only a handful of anti-Marketeers and federalists appeared aware of the dTEU taking shape in Strasbourg. In contrast to the free

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[66] Richard Corbett, "The 1985 IGC and SEA" in Pryce, ed. Dynamics, pp.238-272.

market Kangaroo Group, the federalist Crocodile Club had made virtually no headway within the United Kingdom. Moreover, the few interested groups, such as the European Movement and the Federal Trust, did not have insider access to the Thatcher Government.[66]

Within British arenas, the dTEU was dismissed as a means to embarrass the Thatcher Government. The corollary of never paying much attention to Conservative MEPs was that the usual party procedures for 'whipping' them had also remained undeveloped. When the dTEU finally came before the EP in February 1984, over one third of the Conservative MEPs voted in favour of the proposal. Despite the political nuisance of the EDG supporting a dTEU which the Government opposed, it remained a remote project until Mitterrand expressed support for the EP's efforts. When the President proposed a form of intergovernmental conference, possibly a second 'Messina', the British Government had to take notice. Though the Thatcher Government (or rather the officials within its core executive) had already started drafting Europe—the Future, Mitterrand's speech added a certain urgency to its pan—Whitehall policy survey.

Although Europe—the Future deliberately avoided mentioning the dTEU or possibility of an IGC, the EP's efforts and Mitterrand's recent pro—European rhetoric had once again placed Union on the agenda. Compared to the EP's proposal, the British Government pursued a cautious line on the organisation of the Community. While Europe—the Future did not propose changes to the balance among the institutions, it suggested several modifications which would have improved

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[66] Schmuck, "Parliament's draft Treaty".

their functioning. To this end, the paper projected the European Council as a body establishing annual policy preferences, rather than as a court of appeal on detailed pieces of sectoral legislation.

The one surprise was that the UK Government advocated that the "voting provisions of the Treaty be fully honoured". In short, Councils following priorities set by the European Council should resolve differences through majority voting. The creation of the Internal Market Council and its failure to agree the package had demonstrated the need to respect the Treaty's majority-voting rules. Facing an enlargement of the Community which might delay the process of liberalisation, the British Government perceived a functional reason to encourage the institutional return to majority-voting. An improved decision-making capacity, rather than an interest in European architecture, was the British Government's approach to institutional affairs. As Europe-the Future revealed, however, this remained the extent to which the Thatcher Government was willing to consider institutional reform.

Fontainebleau and *Europe-the Future*

Though barely mentioned in Europe-the Future and almost not at all in the Single European Act, the Community's budget underpinned the whole period from Thatcher's election until the end of the 1985 IGC. Only when the 'Bloody British Question' was settled could the member governments and EC institutions turn to reform of the Community, its structures and responsibilities. Beneath this intergovernmental battle, however, other policy areas had quietly evolved. Though its

timing was dictated by the budgetary settlement, the content of Europe—the Future owed much more to these informal, almost subterranean evolutions than the high politics of the budget.

Shortly before the Fontainebleau European Council, Geoffrey Howe circulated Europe—the Future among his EC colleagues on behalf of the Thatcher Government. Following the EP's dTEU and Mitterrand's speech, it appeared a modest document. It marked, however, the end of the UK's process of accession to the Community and the clearest statement of British policy preferences in Europe, since Heath had attended the Paris summit in 1972. In its concise twenty—seven paragraphs, Europe—the Future painted a vision of Europe's development, based partly on the Community and partly on a host of other, functional regimes. As a statement of preferred policies, it naturally highlighted certain aspects of the EC's development and specific policies, while remaining silent on others.

Chief among these was the internal market project. Anxious to distance themselves from Heathite pro—Europeans, Thatcherites had initially pursued international liberalisation through alternative regimes. The GATT, with its global scope and American participation, was the first choice for neo—liberals who regarded the EC as a corporatist conspiracy. The difficulty of starting a new GATT round on the one hand and the efforts of the Commission, pro—Community businessmen and the Kangaroo Group on the other, combined to convince the UK Government of the value of regional efforts. By 1984, the UK Government acted as if it had always favoured completion of the EC's internal market.

Similarly, the government's reflex on the challenge of information technology was initially far from European. In

the face of new Japanese projects, the Government had sought to create a national base through the Alvey Committee. The key corporate players, however, were more interested in cooperative opportunities fostered by the Commission and Davignon in particular. Driven by growing competition, cost-benefit analyses and largely unhampered by the theology of national sovereignty, the firms were blazing a trail towards European cooperation which states had to follow.

On external policy, Europe—the Future was at its most heterogeneous, assigning different functions to different regimes and institutions. For the pursuit of Howe's *Ostpolitik* and rhetorical diplomacy, EPC was the chosen forum, whereas the reactivated WEU was expected to provide the operational arm of certain member states' security cooperation. So long as these developments either occurred within the defence framework of NATO, such as Heseltine's reactivation of the IEPG, or did not undermine trans-Atlantic links, then the Government welcomed the increasing number of multilateral opportunities for European cooperation.

While opposing revision of the Treaty and attempts to weaken the state's ability to defend its interests, the Thatcher Government revealed a concern for the operation of the EC's decision-making capacity. Having developed policy preferences which relied on the ability of the Community to deliver decisions efficiently, such as the internal market, the Government had an interest in following the provisions of the Rome Treaty more closely. Committing itself to the original text also allowed the Government to oppose calls for an intergovernmental conference, while maintaining its *communautaire* credentials.

Given the EC's expanding scope, Europe—the Future was remarkably silent on a number of issues which had challenged the British Government within the Community, for example social policy, regional policy and monetary cooperation. To many Thatcherites, the EC's social and regional policies represented its corporatist heritage and a brake on the market's efficient resource allocation. For ideological reasons, the Government's omissions were hardly surprising. But, instead of attempting to reformulate the evolving policies, perhaps in less costly and interventionist directions, the Thatcher Government simply chose to ignore their challenge and rely on the 'joint decision trap'.

Though omitted from Europe—the Future, monetary cooperation was not a field which the Prime Minister would be able to keep off the agenda for long. Lawson was waiting within the core executive "for the right opportunity", while leading members of the CBI were already considering ERM membership as complementary to the internal market.[68] Such positive constituencies among societal actors would render opposition to the ERM increasingly difficult, as had been the case with environmental policy.

The policy paper's timing meant it missed (but only just) the start of Lawson's pro-ERM campaign. In May, the dollar had started to rise as a result of Reagan's deficit spending, while British financial markets started to worry about the effects of the miners' strike. The City's undue focus on the sterling-dollar rate and its capital markets' sheer openness ultimately allowed the latter to 'force' the Chancellor into raising interest rates shortly after Fontainebleau. His 1984

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[68] Lawson, View from No.11, p.484.

Mansion House Speech four months later was his last as an "unreconstructed parochial monetarist".[69]

In an important sense, this document marked the effective end of the British transitional period following accession. While the impending budgetary deal would craft a new fiscal bargain among the ten governments, the UK document denoted an acceptance of the Community, its supranational institutions and its legal regime as a legitimate decision-making system. Moreover, such acceptance was not limited to the core executive. In the first twelve years of membership, the expansion of the EC's responsibilities had come to involve over half of Whitehall's ministries. In addition to the obvious foreign, agricultural and commercial interests, Community business now regularly involved ministers for the internal market, environment, employment and information technology. Of the major Departments of State, only the Home Office and Ministry of Defence still remained outside the Community's orbit.

Beyond Whitehall, the document attracted little attention, despite its importance in the evolution of the UK's European policy. One of the major reasons was that it was not widely available in the UK (in contrast to the UK's 'White Paper' ahead of the 1996 IGC): in fact only one public copy was made available and that was deposited in the House of Commons' Library. While Europe—the Future spoke explicitly of the need for member states to "*present the Community to their peoples in a more favourable light*", the British Government was withholding its most important contribution to the debate. This did not bode well as the start of an attempt to

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[69] Ibid., p.464.

reconcile the British people to the informal evolution of the British state within the European Community.[69]

For its European audience, however, the Thatcher Government made the policy paper generally available so as to broadcast its more positive approach to the Community. For whatever reason, the UK Government chose not to be so public about its enthusiasm at home: it was clearly addressing two different audiences and wished to keep Europe—the Future from one of these. Playing the diplomatic game at two different tables within the Community, however, is a more complex proposition than with partners in a global setting. The networks of policy communities, businessmen and academics were already such that few statements made in one corner of the EC would not eventually be transmitted across various nets to other audiences. This is what happened with the Thatcher policy paper. Picked up in Germany, it was published in the UK's Journal of Common Market Studies three months later: had it not been, it might not have entered the *British* public domain at all in 1984, or for some time thereafter.

The first half of the thesis, detailing the period from Thatcher's first electoral victory until Fontainebleau, has investigated the ways in which the views of her Government evolved from lukewarm pro—Marketeerism to a relatively pro—European, though not necessarily pro—Community, outlook. The informal integration within the areas listed above led to demands both for formal recognition of the advances, for example over the environment, and for the extension of Community competences for information technology. For key policy preferences, growing expectations even rendered a

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[69] Europe—the Future, para.24(h): italics in original.

return to majority voting more palatable. Europe—the Future was the UK Government's formal response to these informal developments and its attempt to set the non-budgetary agenda. The second half of the thesis will now endeavour to explain how the British Government's position, expressed in Europe—the Future, was upgraded to the more far-reaching package of reforms contained in the Single European Act.

Chapter Four

The Dooge Committee and Milan

The making of the Single European Act, though formally a product of the 1985 intergovernmental conference (IGC), is inexplicable without an understanding of the Dooge Committee, which lasted from June 1984 to March 1985. Most studies of the reform process, however, start with the Milan European Council in June 1985, and only chart the intergovernmental bargaining over the six months of the conference. This ignores one of the key questions about the making of the SEA: if Fontainebleau resolved the budget question in June 1984 and allowed governments to focus on the Community's relaunch, why did they not convene the IGC until a year later?

This thesis contends that the pre-negotiations that took place within the Dooge Committee, more formally known as the '*Ad Hoc* Committee on Institutional Affairs', played a crucial role in preparing the ground for the ultimate inter-governmental bargain of the SEA. In addressing the importance of the Dooge Committee, this chapter also bridges the usual gap between the processes of informal integration and formal codification. Though often underestimated, the Committee played an important role in outlining for the first time which policy areas could be formalised as EC competences. More importantly, it highlighted the areas of disagreement and the different interests to be reconciled. Without the unique format of the Committee and the efforts of its chairman, its two reports might not have paved the way so successfully for the Single Act.

Concluding with the Milan European Council, this chapter will disregard the advantages of hindsight to restore the period's inherent uncertainty. At Milan, the heads of government indeed voted for an IGC under EC Article 236, but there was no commitment to do this until the last moment and then only due to the combination of personalities and priorities. At the time, the most likely outcome appeared to be the now largely forgotten 'Howe Plan'. Before turning to the IGC, the thesis will therefore investigate why this British strategy was rejected and how the member governments found themselves facing an intergovernmental conference.

The Fallout from Fontainebleau

The Fontainebleau European Council (June 1984) is rightly remembered as the meeting at which the heads of government finally secured a first agreement within the long-running budgetary dispute. But they also set in motion a political process which ultimately led to the transformation of the European Community through the Single Act. While partially recasting two of the EC's original bargains, namely the open-ended support of agriculture and refusal to acknowledge the Community's redistributive nature, the Fontainebleau Council did not have time to address other issues.

Throughout the 1984 French Presidency, Mitterrand had worked hard to achieve a budgetary settlement in time for his European Council at Fontainebleau. In return, the French President wanted a bold gesture to mark the *relance* of the Community during his presidency. Since the Franco-German summit in February, Mitterrand had been hoping to call a

high-level intergovernmental conference, similar to the 'Spaak Committee' of 1955/6 which came after Messina, in order to draft the new treaty for the Community.[1]

In May, Mitterrand addressed the European Parliament and offered his support for its recently completed draft Treaty on European Union (dTEU). Though speaking as much to the French public arena as to EP itself, the French President's rhetoric once again demonstrated his conversion to pro-Europeanism, blending a vague notion of a *relance* with the EP's written constitution.[2] At Fontainebleau, the President apparently hoped to exact the grand conference, perhaps based loosely on the EP's dTEU, in return for a budget settlement. Despite Mitterrand's efforts, the latter deal required most of the European Council's attention, so the issue of reforming the Community was left until late on day two.

In the meantime (and partly to pre-empt the French), the Thatcher Government had circulated an alternative to Mitterrand's grand conference in its new policy paper, Europe-the Future (see Appendix). This offered practical changes without treaty revision. Instead of focusing on contentious institutional reform, the document concentrated on specific policy areas and ways to "promote the economic, social and political growth" of the EC. Given the perceived differences of opinion, the unanimous convening of a conference appeared impossible. As Europe-the Future was acceptable to almost all member states and could be adopted without an IGC, the British paper looked likely to win the day at Fontainebleau.

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[1] "Franco-German initiative on EEC", Financial Times, 28 February 1985.; Le Monde, 28 February 1985.
[2] EC Bulletin, 5-1984, point 3.4.1.

Mitterrand, however, would not be deterred. Having secured a budgetary settlement for Thatcher, he was in no mood to let her set the reform agenda too. Though the French President pressed for a conference, the British stood firm and the others failed to rally to the Presidency: he therefore had to be satisfied with the compromise of convening two *ad hoc* committees to consider all the proposals on the table. Instead of a bold gesture, which would have marked a *relance*, the European Council quietly agreed to committees of personal representatives, which several heads of government later claimed to have had "little recollection" of discussing.[3]

The two committees represented competing concepts of reform. Echoing the name of Spinelli's EP power base, the 'Committee for Institutional Affairs' flowed directly from Mitterrand's vision of a 'Spaak II' and was intended to study the formal operation of the Community. Despite the rhetoric, the 'Committee on a People's Europe' derived more directly from Thatcher's policy text. Drawing on her commitment to "common action to *present the Community to their peoples in a more favourable light*", the Committee was to address technical issues relating to the EC's image and provision of services to the public.[4] As a technical body staffed by officials, it made a more limited contribution to the making of the SEA and has remained largely impervious to study.

The thesis will therefore focus on the *ad hoc* Committee on Institutional Affairs, soon known as the Dooge Committee. It

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[3] Europe—the Future, para.2.; Patrick Keatinge and Anna Murphy, "The European Council's *ad hoc* Committee on Institutional Affairs" in Pryce, ed. Dynamics, pp.217—237. Quotation p.219.

[4] Europe—the Future, para.24(h). Emphasis/italics in original; EC Bulletin, 6—1984.

in fact quickly evolved beyond a limited consideration of the EC's institutions to draw the first explicit link between institutional reform and sectoral issues. From inauspicious origins at Fontainebleau, it is difficult to discern the tightly written package of reforms that made up the Single European Act only eighteen months later. But it is the contention of this thesis that the 1985 IGC might never have succeeded had it not been for the preliminary efforts of the members of the Dooge Committee. Before considering the nature of its operation and the contents of its two reports, this chapter will consider some of the reasons why the Dooge Committee has attracted so little attention from later commentators.

Historiography of the Dooge Committee

The Dooge Committee's historical reputation has not accurately reflected the contribution it made to reforming the Community. It represents the first formal attempt to grapple with the consequences of informal integration and the emerging policy preferences, and to indicate the outlines of a political deal. As such it generated considerable excitement within the EC at the time, a sense of excitement which has been lost in the rush of subsequent events. The Dooge Committee's Final Report (March 1985), caught chronologically between the governments' Solemn Declaration of 1983 and the Single Act of 1986, has been overshadowed by these apparently more substantial documents. While both the Declaration and Act were agreed unanimously by all member governments, the Dooge Report was peppered with footnoted

reserves. If its purpose was to establish a clear set of proposals, then formally it failed.[5]

The Dooge Report also disappointed those most interested in it. To federalists, it paled in comparison with the EP's draft Treaty on European Union. The latter, a tight legal document, provided a rational basis for a European constitution, drafted after almost three years of detailed consideration. In contrast, the Dooge Report was a political compromise, crafted in only six months. For governments and organisations wanting to create the 'European Union', it failed to advance the process, while for those desiring more practical progress it simply produced another two reports. As a stepping stone towards the 1985 intergovernmental conference and Single European Act, however, its contribution was considerable.

The Committee's historical reputation, even in the pantheon of stages towards European Union, has not been helped by repeated references to the post-Messina 'Spaak Committee', which produced the blueprint for the Treaty of Rome. In the Fontainebleau conclusions, Mitterrand deliberately made this connection, raising expectations through this distinctive Community allusion. Given the references to a former foreign minister, Paul-Henri Spaak, the Belgian government unsurprisingly felt a paternal responsibility for the initiative. Echoes of this Belgian concern, and therefore disappointment, with the Committee have emerged in historical commentary on the making of the SEA.[6]

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[5] Michael Butler, Europe: More than a Continent,(London, 1986). interviews with James Dooge, Irish Senator and ex-foreign minister, and Leo Tindemans, Belgian ex-foreign minister; the Final Dooge Report is in EC Bulletin, 3-1985.
[6] De Ruyt, L'Acte unique, p.52.

Unlike Dooge, Spaak had a precise mandate and only six national positions to reconcile, after the withdrawal of the British delegate from Messina. The remaining governments soon agreed to the creation of a common market which provided Spaak with the necessary goal. That the Dooge Committee was not a 'Spaak II' and that the Final Report did not have the same impact as the Spaak Report thirty years earlier has unfortunately diminished its apparent importance to the EC's development, especially in the making of the Single Act.

The earliest studies of the Dooge Committee did not suffer from such hindsight. A series of papers presented to a seminar held only weeks before the Milan European Council provide valuable analysis of the workings and achievements of the Dooge Committee. Two have especially important insights which have subsequently been lost. Following detailed research into the operation and results of the Committee, it seems that these contemporary analyses were probably closer to the mark than much of the ensuing commentary.[7]

Without the disadvantage of hindsight, David Coombes suggested in the first of the two pieces that the Committee's efforts were "bound to bring significant changes", but this had not been noted yet. Some member governments would be "caught off guard by the momentum" the process had developed.[8] The sense of achievement in the Committee's efforts and the importance of its results identified by Coombes have been overlooked in the analyses of the EC's institutional change in the mid-1980s, and both need to be restored.

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[7] David Coombes, "The Background to the Dooge Committee", and also Katherine Meenan, "The Work of the Dooge Committee" in Administration, 33 (1985), 574-9,580-9.
[8] Coombes, "Background", 574.

Katherine Meenan, looking to the Committee's working, noted key areas where the "thinking of the Committee actually developed" during the course of its mandate. As a member of the Committee's three-person secretariat and also special adviser to the *Taoiseach* (Irish PM), Meenan was extremely well placed to comment on its operation. Both her article at the time and subsequent interviews have confirmed the clear learning-curve along which the representatives and their governments travelled during their six months together.[9]

Though attention has usually focused on the divisions within the Committee, for example the footnotes and annexes of the Final Report, Meenan suggested that a majority of the "Dooge Committee settled itself on one particular point" through their deliberations. This point lay on the "circular relationship between the institutional aspects of Community development and the economic and technical aspects". Though not evident to all participants at the time, the explicit linkage the Committee developed, between sectoral policies and the reforms necessary to achieve them, would be critical.[10] These contemporary assessments by Coombes and Meenan stand in contrast to the diminished significance attributed to the Dooge Committee subsequently. The chapter will return to their initial conclusions, after briefly considering the later references to the operation and impact of the Dooge Committee.

The single, most complete account of the Committee remains an chapter by Patrick Keatinge and Anna Murphy. As a register of the procedures and issues involved, their piece

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[9] Meenan, "Work", 587.; interview with Katherine Meenan, former secretary to the Dooge Committee.
[10] Ibid., pp.587,589.

is an excellent account, though already lacking a sense of the Committee's internal dynamics as identified by Meenan. Moreover, they concluded that the Committee ultimately played only a minor role and "thus did not have the effect of the Spaak Report of 1956". This criticism is levelled at the Dooge Committee largely as its Report did not itself "reduce the areas of disagreement" among the member governments, proof of which lay in the Franco–German dTEU subsequently presented to the Milan European Council. For Keatinge and Murphy, this "seemed to reflect a loss of interest in the main substance of the Dooge Report": in contrast, this chapter contends that the IGC followed the Report's substance more closely than either of the dTEUs.[11]

In Pryce's collection of essays on the dynamics of European Union as a whole, the *ad hoc* Committee appears to sit with the chapters on failed intergovernmental projects (the 1954 Political Community, Fouchet Plan, Tindemans Report and Solemn Declaration) rather than with the successful episodes leading to European Union; the Treaties of Rome, Paris summit of 1972 and Single Act itself. In the flagship chapter on an overarching 'framework for analysis', the Dooge Committee does not even warrant a mention for its role, despite allusions to the importance of the preparatory phase of any project: this is exactly what the Dooge Committee represented.[12] The Committee's contribution was not, however, as a step towards Union, but as preparatory phase to the making of the SEA.

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[11] Keatinge and Murphy, "*Ad hoc* Committee", pp.228,232.

[12] Pryce and Wessels, "Framework for analysis", pp.1–34. "Goal–definition", especially in the "preparatory phase of any project, is therefore of great importance". p.26.

In his masterful study, Jean de Ruyt agreed with Keatinge and Murphy that in its apparent effect the Dooge Report was indeed "tout comme la déclaration de Stuttgart". Though his analysis was more insightful into the actual operation of the Committee, especially its interaction with the EP's dTEU, he criticised the Committee for not revealing "de manière concrète une voie intermédiaire qui aurait permis de relancer la Communauté", in contrast to his fellow countryman's Spaak Report. The "faiblesse du rapport Dooge à cet égard" led de Ruyt to consign it to the wayside and turn instead to Milan, where the member states chose a new approach towards political reform.[13] This commentator unfairly compared the Dooge Committee to the Spaak Committee, while (wrongly) regarding Milan as a departure from, instead of continuation of, the Committee's efforts.

In his 1987 study for the University Association for Contemporary European Studies on the British Government and the European Community, Stephen George portrayed the Report as a static statement of national positions, thereby losing the dynamic of its internal operation.[14] By describing the Committee's tendency to "divide throughout its deliberations into a majority group" - whose positions were "largely inspired by the French representative, Maurice Faure" – and a "minimalist group, led by Britain", George marked a shift away from the dynamism which Meenan had first noted. Moreover, by stressing the Committee's leadership which "seemed to be coming from France, in alliance with West Germany" against Britain's counter-proposals, George

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[13] De Ruyt, L'Acte unique, pp.54,57.
[14] George, The British Government and the European Community since 1984, (UACES Occasional Paper, 1987).

effectively focused on the interaction of only the largest of the member states.[15] This reduced the importance of the Dooge Report to a rehearsal of known national postures, less important to the SEA's making than the European Councils at Fontainebleau and Milan.

In his pioneering study into the negotiating of the SEA, Andrew Moravcsik's focus on the international system naturally led him to stress the overwhelmingly inter-governmental nature of the Dooge Committee. For Moravcsik the *ad hoc* Committee epitomised an intergovernmental body *par excellence*, comprising representatives of the heads of government who demonstrated their autonomy as key political leaders. As such he identified the representatives' behaviour as strictly 'intergovernmental', for the "key decision makers ignored the maximalist agenda" and member states "parried parliamentary pressure with ease".[16]

From the brief historiographical study above, the minimal importance attached to the Dooge Committee in the various records of events appears to stem from three factors. First, though heralded as a 'Spaak II', the Committee failed to meet the elevated expectations of certain commentators and participants. Second, neither of its two reports managed to resolve all the areas of disagreement, as evident in the many footnotes and two annexes. Last, concentration on the Final Report has reduced the whole episode to a static rehearsal of national positions.

This chapter contends that the Dooge Committee, within its Fontainebleau remit and in the light of subsequent events,

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[15] George, Awkward Partner, pp.177–8,179.
[16] Moravcsik, "Negotiating the SEA", p.64.

made a number of important contributions to the process of reform through both its operation and its conclusions. Moreover its behaviour was not in fact strictly 'inter-governmental', key decision makers did not ignore the maximalist agenda and member states were not able to parry pressure from the EP with ease. The following narrative will demonstrate the validity of these conclusions.

Establishing the committees

The Fontainebleau conclusions made only passing reference to the two committees, offering neither a precise agenda nor a clear set of operating procedures. Though Mitterrand had referred to a 'Spaak II', this provided little practical guidance to the incoming Irish Presidency. With growing interest in relaunching the Community after the end of the five-year budgetary dispute, Garret FitzGerald therefore had to create two working committees without clear directions from the European Council. In fact the lack of strict instructions, though at first sight a handicap, permitted both the Irish Presidency and then the Dooge Committee the necessary space to proceed as they wished.

The nature of the Committee was important because it, unlike several previous attempts at multilateral negotiation, succeeded in addressing the problems set it and thereby paved the way for the IGC. In contrast to the committee of three wise men, the Genscher-Colombo *ad hoc* group and the 'jumbo' Councils of the Stuttgart process, the less well-known 1984 *ad hoc* Committee on institutional affairs was ultimately a success. Its achievement lay in the fact that it outlined a

political deal based on a compromise between institutional reform and the upgrading of policy sectors, and created sufficient momentum to carry it to Milan. The damage which yet another failure or meaningless compromise would have caused duly raised the stakes for the venture and the Irish.

From Mitterrand's remarks at Fontainebleau, the first question for FitzGerald was obviously who should play the role of 'Spaak' in the *ad hoc* Committee. Though the Committee will forever be associated with Professor James Dooge, the existence of the Committee hung in the balance for three crucial months over the question of its chairman. As mentioned above, the references to the 1950s' Belgian foreign minister evoked strong responses in several of the original member states. As a 'founding father', Spaak had assumed a status comparable with Schuman, Hallstein and Monnet.

For the original Six, the chair of 'Spaak II' would have to be someone of equal standing and proven European credentials if the Community were to be successfully relaunched. For similar reasons, the choice of chairman was also of concern to the newer member governments, especially London. As Europe—the Future demonstrated, the Thatcher Government was content with the minimalist provisions of the Solemn Declaration and was therefore averse to re-opening the reform dossier. A federalist figure of European stature would probably lead the EC in directions inimical to Britain's interests as identified by the Thatcher Government.[17]

The initiative over the chairman, however, lay with the Irish government and Garret FitzGerald in particular. As a veteran of Community affairs, he knew the problems inherent

[17] Interview with Herman.

in the most recent precedent, namely the Political Directors' discussions over the Genscher–Colombo initiative. As the chairman had rotated among three presidencies, the resulting dislocation meant no government had felt a direct responsibility for brokering an agreement. Instead, the German and Italian foreign ministers "never relinquished their paternity of the plan" to create a European Act, which resulted in an extremely modest compromise. Even the Solemn Declaration was only achieved during the German Presidency when Genscher held the chair.[18] This was not a model which the European Council would wish to employ a second time.

Given the importance of President Mitterrand to progress in the Community over the previous six months, coupled with his personal commitment to reform at Fontainebleau, a French paternity suit over the new *ad hoc* Committee was entirely possible. As such, he was likely to appoint a representative to play a leading role. Unknown to most other governments, Kohl was also considering worthy candidates to be the second 'Spaak'. At Fontainebleau, Kohl had not announced a German candidate for the Commission Presidency, even though it had been his 'turn' to do so. Having effectively deferred to Mitterrand and Delors, the West German Government apparently wished to secure the Committee chairmanship and were considering Karl Carstens, their former head of state, as sufficiently eminent to preside over the relaunch of the EC.

Though hoping for maximalist progress "towards a much more integrated Community", FitzGerald determined that only an Irish chairman would seek progress that did not "at this

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[18] Gianni Bonvicini, "The Genscher–Colombo Plan and 'Solemn Declaration on European Union' (1981-83)" in Pryce, ed. Dynamics, pp.174-187. Quotation, p.179.

stage have defence implications". So, for domestic considerations - attachment to neutrality - FitzGerald seized the initiative as Presidency and broached the name of James Dooge with members of the European Council. Though only a small state and therefore weak in *Realist* terms, Ireland's relative position was modified by the institutional leverage of holding the Council Presidency: as such, FitzGerald was able to determine the first question on the agenda.[19]

Professor Dooge, a highly respected academic in civil engineering and Senate leader for FitzGerald's government, had previously impressed members of the Community as Ireland's foreign minister. Even though in the post for less than a year, he had contributed to the late-1981 attempts at reform on the May Mandate and in particular to resolving the concerns of the Irish government over the London Report. As he was not a federalist from a large member government, Dooge was immediately welcomed by Margaret Thatcher, and soon afterwards by the Danish Prime Minister.

With the explicit support of the British and Danish governments, and apparently the tacit consent of the other foreign ministers, FitzGerald duly announced on 25 July that Dooge would convene the first meeting of the Committee after the August recess: the chairman, however, was to become the first point of contention. Unknown to FitzGerald, Kohl maintained a vision for the Committee in line with the 'Spaak II' rhetoric, which Genscher had surprisingly not made known to the General Affairs Council. Believing the West German representative would be a political Secretary of State from the ministry of foreign affairs, and having all the other

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[19] FitzGerald, A Life, pp.585-7.; interview with Garret FitzGerald, Irish former-prime minister.

nominations to the Committee, FitzGerald had announced Dooge's chairmanship.

Kohl's revelation that he was still considering Carstens as 'Spaak II' threatened to wreck the whole process before it had started. For FitzGerald, demoting Dooge and recasting the Committee was not acceptable. For the British Government, the prospect of a federalist former head of state, rather than a relatively pro-European former foreign minister, was not welcome. Having already declared its support for the Irish chairman, the British Government once again reiterated its backing for Dooge, even though a coordinated Franco-German position appeared to be emerging. In structural and historical terms, the Franco-German axis appeared stronger than the weak, new member state Anglo-Irish position and Dooge's nomination looked uncertain.

In August Mitterrand had apparently informed the German Government that he had no objections to Carstens as the Committee chairman, which threatened to unravel FitzGerald's efforts to date. As both author of the committee venture and President of France, Mitterrand's shift would indeed have had serious consequences. The combination of Faure and Carstens, already the senior representatives on the federalist 'Action Committee for European Union' (ACEU), might have dominated the Dooge Committee. As a reincarnation of the 'Monnet Committee' by its surviving former members, the ACEU represented a high-level interest group, with a member from each EC state.[20] As such, these individuals had already signalled their preferred direction for the European Council's *ad hoc* Committee.

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[20] FitzGerald, A Life, p.589. The British member of the ACEU was Edward Heath, but Thatcher was unlikely to appoint him.

The Belgian government also joined Kohl, apparently supported by Mitterrand, in intimating that Dooge might not be acceptable as a reincarnated 'Spaak'.[21] Under increasing public and parliamentary scrutiny at home, Kohl was defensive over having failed to secure the top post in either the Commission or the *ad hoc* Committee: the accusations simply hardened the German Government's position. The issue remained unresolved over the summer recess and the whole process appeared on the verge of being derailed. FitzGerald cancelled the Committee's first meeting, which in turn blocked the start of the second Committee.[22]

Though the tide was running towards the maximalist end of the spectrum and away from Dooge, FitzGerald refused to concede to the implicit Franco–German pressure. In late September, the Foreign Affairs Council finally persuaded the German and Belgian representatives to accept an Irish chairman and allow the reform process to start. Clearly the Franco–German coalition could not always dictate the direction of the Community: surprisingly, in this instance the actions of the government of a small state largely set the framework within which the representatives would operate, allowing both Committees to start meeting.

Though the selection of the chairman and the confusion over the German representative had caused alarm in London, several of the other representatives would also soon provoke concern. As many participants have stressed, the interplay of the personalities was crucial to the Committee's operation: as such the heads' selections would largely set

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[21] Interviews with Herman and Tindemans.

[22] Süddeutsche Zeitung (Frankfurt), 18 September 1984.; Agence Europe (Brussels), 5 September 1984, pp.1,3.

the scene, in contrast to the Political Directors in the Genscher–Colombo *ad hoc* group.[23] For example, on the same day that Thatcher announced that Malcolm Rifkind would be her representative, Mitterrand selected Maurice Faure as his. Not only had Faure been a signatory of the Treaty of Rome and a member of the original 'Monnet Committee', he was also an independent figure on the French political scene, above parties, the government and even departments, such as the Quai d'Orsay. As a leading member of the new, maximalist 'Action Committee for European Union', his loyalty would be to Mitterrand and the ACEU vision of Europe.

Though a Faure–Carstens team would have strengthened the maximalist position, the Franco–German axis did not have a monopoly of such ideas. In August, Italy's Prime Minister chose Mauro Ferri as his representative. Until June, Ferri had been chairman of the EP's Institutional Affairs Committee (IAC). As such he knew the Community and possible avenues of reform well. Moreover, he maintained good contact with the IAC and could be expected to show considerable attachment to its dTEU, which he had helped draft. The Belgian representative was even more closely attached to the EP: Fernand Herman, with his federalist perspective on the EC's development, was still an active IAC member.

Even in the absence of Carstens, the presence of Faure, Ferri and Herman ensured that the maximalist agenda would not be ignored in the Dooge Committee. Though the EP was not formally represented, the presence of the latter two meant that other representatives would not only be incapable of parrying pressure from the EP, but they would have to

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[23] Interviews with Herman and van Eekelen.

consider EP-style suggestions from Committee members supposedly representing national governments.

Their role in the Committee raises an important question about semantics. Formally, each member of the Committee represented a head of government, with the Commission functioning as a government for this purpose. As such, it appeared to be an intergovernmental body *par excellence*, as suggested by Moravcsik's analysis. Given their parliamentary perspective and willingness to argue the EP's corner in Committee, both Herman and Ferri challenged the traditional definition, for their role was not strictly 'governmental'. Tindemans had in fact proposed Herman for this reason. The duality of their role lent the Dooge Committee some of its particular dynamic.[24]

The heads' choice of personal representatives revealed much about their view of the Committee's purpose. In addition to its chairman, the two parliamentarians and Faure as a pro-Community maximalist, the other members of the Committee consisted of three senior officials and two junior ministers, all drawn from their national ministries of foreign affairs.[25] Margaret Thatcher had appointed Rifkind, the junior FCO minister with responsibility for Community affairs. This Minister for Europe had a barrister's training, a mastery of detail and the ability to distinguish major issues from minor. His personal qualities were reinforced by domestic, political considerations. Though a minister within the British core executive, Rifkind enjoyed junior rather than cabinet status. Though a member of Howe's FCO team, the

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[24] Interviews with Dooge, Herman, van Eekelen and Tindemans.
[25] List in Keatinge and Murphy, "*Ad hoc* Committee', p.222.

ultimate prize of cabinet membership was the gift of the Prime Minister alone. He was therefore poised between the PM and the Foreign Secretary, obliged to balance any differences between his political superiors within the core executive.

Rifkind's position in party and Whitehall arenas was also important. In the Conservative party, he was identified with neither the anti-Marketeers nor the explicitly federalist wing, and yet as a party member he had an instinctive awareness of the party-political battle lines. Within the bureaucratic arena of Whitehall, Rifkind was part of the core executive and therefore familiar with the general coordination and complex operation of Community policy. In debates on detail, his insider status as a minister offered advantages over eminent but non-governmental representatives, such as Faure or Ferri, while his ministerial rank allowed him greater personal authority than the officials, even politically appointed ones.

In several senses, Rifkind was therefore an extremely suitable choice given the nature of the Committee and its attempt to reform the Community. The appointment of Willem van Eekelen by the Dutch government, Jean Dondelinger by the Luxembourg government and even Dooge by Garret FitzGerald demonstrated similar concerns; namely adequate representation of the national core executives, familiarity with the Community and party-political acceptability. In contrast to the ministers and eminent non-governmental figures, the decision to send officials to the overtly political *ad hoc* Committee made a distinctly different statement.

The Danish's PM's resolution to appoint an official reflected the suspicion within the Folketing parliamentary

arena towards the Community. The coalition of Danish parties which provided the majority on European affairs was not the same as the coalition sustaining the government on domestic, economic policy. In contrast to a *Realist* approach, only a detailed understanding of domestic politics can explain the stand taken by the Danish 'state' representative. Instead of representing the state's national interest or even the government's policy preference, Moeller in fact had to represent a balance of governmental and opposition parties within the Folketing. Almost uniquely among its partners, the Danish core executive was explicitly constrained by forces within its national parliamentary arena. These domestic arrangements and party-political considerations had a direct impact on the operation of the Committee and later of the intergovernmental conference.

The German choice of an official, even a political one, marked a climbdown from the early enthusiasm for a political figure of the first order. Following the embarrassing withdrawal of Carstens' nomination, the Kohl government had settled for a senior official which represented a downgrading of aspirations for the Committee. Jurgen Ruhfus, unlike Carstens, would be responsible both to his political superiors, especially Genscher, and to his ministry, in which he was currently pursuing his career. Given the decentralised nature of the Federal Republic, Ruhfus was probably more directly the representative of a single minister than of either Kohl or the whole government.

The individuals who comprised the Dooge Committee were as important as their governments' preferences because their personal interactions informed the Committee's development.

Without an applicable precedent, the Committee would unfold through the interactions among both official governmental positions and the eleven persons at the table. Whereas officials and ministers are usually constrained by negotiating briefs from their national capitals, the Committee succeeded because of the informal atmosphere and its inter-personal relations.

Senator Dooge understood this fact and, as "facilitator", deliberately inculcated a cooperative atmosphere in which the members came to 'brainstorm', rather than simply bargain, as a group. The Committee which Mitterrand had apparently conceived as a 'Spaak II' was interpreted by the Irish chairman as simply an informal and essentially political forum, exploring the nature of national positions and sensitivities. To encourage a less formal but business-like Committee, Dooge fought three early battles to secure the most propitious working environment. His experience chairing multinational meetings enabled Dooge to provide the necessary leadership within the committee.[26]

First, the setting; wishing to escape the sterile debate of the Genscher-Colombo initiative amid the EC institutions, an alternative location was required for the Dooge Committee. The Community was where the usual transnational bargaining occurred and, if the Committee were to lift its sights, then it had to meet outside this arena. National capitals were briefly considered, but the psychological and administrative magnet of Brussels exerted too great an attraction. With the help of the Belgian government, an early decision to meet in

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[26] Roger Fisher, William Ury and Bruce Patton, Getting to Yes, (New York, 1981). 'Brainstorming', pp.61-3.; interviews with Malcolm Rifkind, ex-FCO minister of Europe; and with Dooge.

the Council's Charlemagne building was reversed when the Palais d'Egmont was made available for the Committee, allowing the necessary change of environment.

Second, Dooge and several representatives insisted that the Committee should be as independent of the various bureaucracies as possible. The Council Secretariat expected a role as the Committee consisted of representatives of the Council's members, while the Commission had offered its legal and translation services, partly as a means to gain access to the Committee's workings. The compromise Dooge brokered was to have a 'core' secretariat of three; one each from the Commission and Council secretariats, plus a personal appointee, namely Katherine Meenan. Each national member of the Committee would also provide an assistant and a notetaker to form the extended secretariat. By this means, reliance on any particular secretariat was avoided while creating a workable administrative structure.

Third, Dooge encouraged the informal, personal and unified nature of the Committee by suggesting that only its members should write and present reports, thereby personalising the internal debates. By deciding at Fontainebleau to have a Committee of representatives, the heads had added a more personal dimension to the process than found in the more formal Genscher–Colombo discussions. The latter's structure had militated against complete continuity of personnel over its eighteen month duration, thereby fragmenting its unity of purpose. Representing heads instead of whole governments meant most were not hostage to particular departmental or sectoral interests. As such they could balance different fragments of the 'national' interest in search of compromise.

Though only of limited interest to later commentators, these administrative details contributed to the smooth operation of the Committee. At its first meeting, which finally took place in late September, the representatives under the gentle guidance of the Chair took several other important decisions. As Meenan noted, though they officially could use four EC working languages, actual discussion was conducted in French and English. As diplomats, ministers of foreign affairs and *hommes d'affaires*, the representatives all had some mastery of both languages. That German was not one of the principal languages required yet another concession by Kohl's government, on which the West German representative fortunately did not choose to stand. This in turn arrested demands from others for equal linguistic representation. In contrast to most EC meetings at an equivalent political level, the Committee members would not be isolated from each other by the technology of the translation service. Several of the participants referred to the importance of this anodyne decision.[27]

The most important operational decision regarded the Committee's agreement to seek unanimity, but - unlike during the Genscher–Colombo initiative - not to make it a fetish. A commitment to unanimity would have restricted the Committee to an exploration of the lowest–common–denominator on each topic in a strictly 'intergovernmental' manner. On Herman's suggestion, the Committee decided to seek a consolidated text, with reserves in footnotes if necessary. Thereafter, recalcitrant representatives were under pressure to adopt the majority position as they were unable to enforce their

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[27] Meenan, "Work", p.582.; interview with van Eekelen.

lowest-common-denominator preference. This introduced an element of bargaining into the process, similar to the impact of the QMV-rule on Council decision-making.[28]

If the successful and amicable establishing of the Committee was all that James Dooge had achieved, then the European Council would still have owed him a debt. Instead, the continuing operation of the Committee and the completion of its task only twenty-one minutes late, after six months of discussions, continued to rest with its chairman. Poised between the original six and minimalist three, FitzGerald's nominee was well-placed to provide a bridge between new and old members, between maximalists and minimalists, and between small and large. In late-1984, the cycle of the Presidency's alphabetical rotation had clearly paid dividends.

The Committee's work

Though formally the 'Committee for *Institutional Affairs*', the representatives soon enlarged their remit substantially. Whereas the Committee under Pietro Adonnino's chairmanship would investigate all the aspects of a 'People's Europe', the Dooge Committee effectively started examining all sides of a 'Member States' Europe'. As economic and sectoral issues were as important as strictly institutional ones, the Dooge Committee set itself the task of exploring the 'circular relationship' between the two fields: herein lay the key to the Committee's contribution to the making of the SEA.

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[28] Philip Budden and Burt Monroe, "The Impact of the QMV-rule on Council Decision-making", Paper delivered to the ECSA Conference, Washington DC, May 1993.; de Ruyt, L'Acte unique, p.54.; Keatinge and Murphy, "*Ad hoc* Committee", p.224.

Building on the personal nature of the Committee, the representatives decided that each member could choose the field of interest to them. In line with British priorities and Europe-the Future, Rifkind duly secured the internal market dossier. Moeller assumed the technology remit, while van Eekelen took decision-making, which included the issue of the 'vital national interest'. As an MEP and IAC member, Herman unsurprisingly went for the 'institutional affairs' portfolio, with assistance from Ferri: as veterans of the institutional debate, this duo was well-poised to incorporate the EP's views into the Committee's deliberations.[29]

On behalf of Commission President Gaston Thorn, Andriessen assumed the portfolio on 'differentiation' as the Commission would be a player on all levels and at all speeds of a 'variable geometry' Europe. In line with Genscher's interest in the involvement of military affairs in the EC, Ruhfus duly offered to work on security, which caused concern for the Irish government. FitzGerald had deliberately excluded the topic from his initial guidelines to Dooge, so its later inclusion in Committee showed the limits of a Presidency's influence over the agenda.[30]

Each representative therefore had a specific interest. Though this often overlapped with national policy preferences, this was not always the case. The value of the personalised process was that each participant brought something they wanted to the Committee. Moreover, no representative could veto another's choice, so the agenda soon expanded. Whether all policy areas would survive to be

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[29] Interview with Herman.

[30] FitzGerald's guidelines are in Meenan, "Work", p.581.

formally codified was less important than inclusion in the informal 'brainstorming' stage.

Having created an agenda, the Committee set its timetable of five meetings before Dublin and then another five before the March 1985 European Council, allowing two days per fortnightly meeting. Each gathering of the representatives would therefore include dinner, lunch and, most importantly, an over-night stay allowing the political 'space' for the development of informal contacts and discussion of positions beyond the formal setting of the conference room.[31] In this first meeting, the sense of the Committee was that the next four meetings before Dublin would be too few to produce a worthwhile document and so the Committee should focus on March 1985 as its deadline.

Faure, who had apparently played a remarkably reserved role so far, offered to examine the political framework for reform. At the time, this seemed to mean a theoretical analysis of possible structures for a 'European Union'. He also offered to prepare an initial outline for one of the next two meetings of the Committee. Given the evident divisions within the Community over the move to transform all relations to a nebulous Union, the British Government can little have suspected what Faure would try to achieve. Nevertheless, at the end of the first meeting of the Committee, there was little that would have concerned a minimalist government.

Contrary to expectations, the decisions at the next meeting came to play a crucial role in the first phase of the Dooge Committee's work. Unfortunately for the British Government,

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[31] Interview with Meenan.

the second meeting coincided with the annual Conservative party conference. There was no doubt that Rifkind's duties lay in the party arena rather than the Community arena, even though this would require the British seat at the table being occupied by his Assistant. Rifkind's presence in Brighton as minister responsible for European affairs would at least permit him to explain the Community's accelerating development to a wider audience.

With the party assembled in conference and the national media watching, the Thatcher Government had an ideal forum in which to reveal its Europe—the Future vision and bring domestic audiences up to date with the policies it was pursuing across the Channel. Instead, the Government chose not to educate the party regarding Community developments, but simply to focus on the internal market rather than other policy areas or reform of the institutions. The formation of the Dooge Committee and its early decisions would admittedly have made poor entertainment at the annual rally of the party faithful, but the decision to present only a partial account of events was significant.

The contrast between the Government's stance in Europe—the Future and the Foreign Secretary's speech at Brighton was especially telling. Four months earlier, the Thatcher Government had produced a document staking out an explicitly pro—Community stance. Despite extensive, pan—Whitehall drafting and attempts to convince EC partners of Europe—the Future's value, the Government chose not to explain its new departure in European policy to the party at home. The extent to which the Government tried to keep the two spheres separate was remarkable, even as the Dooge review proceeded.

The British Government was - in Robert Putnam's terms - playing two different games at two different levels.[32] Within the domestic and party arenas, the Government maintained its pre-Fontainebleau, pro-Marketeer rhetoric. However, within the European arena, the Government was adopting an explicitly pro-Community stance for the benefit of its negotiating partners. The UK core executive had apparently chosen to present its EC policy differently within the various arenas: the relative lack of communication between arenas at the time still made such practices theoretically possible in the short term. Though avoiding explanations of policy shifts, however, the disjuncture between the differing presentations of policy could probably not be hidden in the longer term.

While Rifkind attended the party conference, the Dooge Committee met for the second time. As reports from Bonn and The Hague suggested that both Ruhfus and van Eekelen would also be unable to attend, and the new Greek representative would still be finding his feet, it was unlikely that the Committee would be faced with more than the initial findings from one or two of its sectoral reports.[33] Moreover, part of its two-day session would be spent meeting a delegation from the European Parliament, which some might not have regarded as a good use of ministerial time. With the British minister still in Brighton, however, Faure decided, presumably after consultation with Mitterrand, to display his true colours.

Whether Faure knew who would be present or not, the game he was playing benefitted from the absences. Instead of a

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[32] Robert Putnam, "Diplomacy and Domestic Politics: the Logic of Two-level Games" in International Organization, 42 (1988), 427-460.

[33] Agence Europe, October 1984.

theoretical report on the potential structures for a European Union, he presented a complete political framework for the reform at hand. This established a 'circle' linking institutional reform and sectoral policies, while capturing the agenda for the maximalists. His 'Political Document' provided the superstructure for the Committee's future efforts, dividing its work into four sections in the ultimate act of agenda-setting.

With a short preface, followed by sections on 'priorities', 'means', and 'method', Faure's document was remarkably similar to the format of the EP's draft Treaty. Given Mitterrand's cryptic speech before the EP in May promising to examine the dTEU, the presentation of such a document by his personal representative four and a half months later should not have been entirely surprising. That it followed the dTEU's structure so closely was not lost on certain players, for example Herman, Ferri, and even Spinelli's delegation, whom the Committee had met shortly before.[34] In little over a year, Faure's linkage would underpin the 'institutional-policy provisions' package of the Single Act.

Faure's document was welcomed immediately by both Ruhfus and Ferri. After Mitterrand's negative attitude to the Genscher-Colombo initiative, the wholehearted support of the West German and Italian representatives for the French text suggests an element of consultation. Though surprised by Ruhfus' presence (despite reports to the contrary), the British Government must have been disappointed by the Committee's decision to adopt the Faure text as its working document. With Papantoniou new to the game, Rifkind absent

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[34] Interviews with Herman and Dooge.

and the Irish representative acting as chair, the Committee's minimalist wing was distinctly under-represented during this crucial second meeting.

One administrative setback at a meeting early in the Committee's work might not appear important in the overall attempt of the British Government to re-orientate the EC agenda, but this particular move had distinct consequences. As the head of the Dooge secretariat noted, the "actual working method of the Committee" after this meeting was to accept "the Faure document as its basis and amend it section by section". With Faure's text on the left page and amendments to it on the right, it became extremely difficult to challenge the structure of the document.[35] Mitterrand's representative had therefore provided an outline for the Committee's conclusions which proved difficult to reverse once accepted, an outline into which all the sectoral reports would ultimately be fitted.

The acceptance of the Faure document as a working basis had three other consequences. First, though Dooge would give his name to the Committee he chaired, Faure could legitimately assume paternity over the Committee's report. As such he emerged as informal *rapporteur* for the Committee. As the most senior politician on the Committee with outstanding credentials as a founding father, Faure had now secured a major, if not a 'Spaak'-like, role in the Committee's operations. The move by Faure also had implications within the maximalist wing. In a sense, where Kohl had failed to have Carstens selected as the Committee chair, the Chancellor had now secured second best by supporting the efforts of

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[35] Meenan, "Work", p.582.

Mitterrand's representative. What Franco—German cooperation had failed to achieve by one avenue, it appeared to have secured by another. This provided a Paris-Bonn challenge to the maximalism of both the smaller states and the EP—style federalism of certain members of the Committee. Poised between the two extremes and having set the agenda, the French and West German governments could now command greater respect for their suggestions.

The last major impact was that Faure's document committed the representatives to producing an Interim Report by the Dublin European Council in December. Initially, the five meetings planned before Dublin had seemed insufficient to produce a worthwhile document. The Faure initiative, however, bound the Committee to producing a text by Christmas. The nature of the Faure document in fact facilitated this by providing the form of the Interim Report, but it did little to advance progress on the substance of the reforms. With only three meetings to go, there was little hope that this would be improved, especially as the Committee wished to provide a consolidated and near—unanimous document.

Rifkind's presence in the Committee might not have stemmed the maximalist tide on those two days. The combined efforts of the Greek representative and the British and Danish officials, however, had little hope of deflecting the Committee from the path which the signatory of the Treaty of Rome and his allies had chosen. After Faure presented his Document, the text which Rifkind wrote on the internal market became one sectoral report in the section on 'priorities'. It was thereby subtly linked to the institutional 'means' to achieve it and would implicitly add weight to the case for

the 'method' to secure it. As a minimalist discussion of unconnected policy areas, Europe—the Future could not represent a coherent alternative to Faure's Political Document. The British Government would therefore have to upgrade its position simply to stay in the game.

Within a week of the second Dooge Committee meeting, the Foreign Secretary delivered a major policy speech detailing his vision of a new Community. The new British 'blueprint' was obviously intended as a rejoinder to the recent Franco—German power—play and Howe explicitly stated that their 'axis was an insufficient basis for the relaunch of the EC'. Though rehearsing the Government's opposition to a two—speed Europe, Howe went beyond the five—month old position of Europe—the Future to counter the activism of the maximalists and of the renewed Franco—German leadership.[36]

Though critical of the emerging axis between two of the largest member states, Howe did not propose an alternative vision. Nor did he start coalition—building on a scale likely to balance other axes. Instead of addressing others' aspirations, the British Government focused solely on the functional incorporation of increasingly integrated areas. As such the practical elements of the British contribution would never secure support beyond the two other minimalist and peripheral member states, namely Greece and Denmark.

Despite Howe's challenge, the Faure document had set the scene for the Committee's efforts until Dublin. Close study of the negotiations leading to the Interim Report remains difficult as they are covered by thirty—year rules and all the debates were held *in camera* to encourage a more open

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[36] Financial Times, 18 October 1984.

exploration of positions. As such, a detailed reconstruction of the Committee's proceedings in this first phase is not yet possible: for the purposes of this thesis, however, such an exercise is not strictly necessary. The dynamics in the pre-negotiating stage and subtle shifts are still discernible.

The Committee had agreed to use footnotes as an alternative to insisting on unanimity. The interplay of the time pressure, desire not to be footnoted but need to defend specific policy preferences transformed the dynamic of the committee, obliging representatives to rank their policy preferences and specify priorities. Bargaining therefore took place above the lowest-common-denominator. Such an incentive is missing from negotiations requiring unanimity, where each representative wields a veto on each interest: something similar had occurred in the Genscher-Colombo initiative. The Dooge Committee benefitted from more flexible arrangements. Though difficult to study in detail, the example of the internal market and institutional affairs reports demonstrate the importance of this flexibility.

In speeches since mid-1983, both Howe and Rifkind had implicitly described the internal market as the free movement of goods and services. This echoed the British wing of the Kangaroo Group with its concern for British manufacturers and for the City's interests in financial services, but excluding the free movement of people. Rifkind's initial report to the Dooge Committee naturally reflected these concerns. In contrast, the section on the internal market in the Interim Report revealed a significantly expanded definition of the 'internal market'.[37]

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[37] Interim Report in EC Bulletin, 12-1984.; interviews with Rifkind, Herman and Dooge.

In addition to goods and services, the Report included the free movement of people, company legislation and harmonisation of national tax systems as legitimate aspects of the internal market. Given the Thatcher Government's attitude to the Vredeling Directive, Vth Company Directive and recent direction of social policy generally, their inclusion requires investigation. A vague but increasingly important concept, the 'internal market' had varied meanings. For the German wing of the Kangaroo Group, represented by von Wogau, the 'barrier-less' internal market was partly a means to secure the unrestricted movement of workers across frontiers. For moderate French Socialists, the 'internal market' was apparently the 'frontier-less' European social area which Mitterrand had sought since 1981. In short, the market had itself become a package of interlinked issues.

The Thatcher Government might have resisted such proposals individually within the Council of Ministers, but the dynamic in the Dooge Committee was subtly different. The 'footnote' reserve was a blunt weapon and could not easily whittle away all added dimensions to the central policy: as such, Rifkind could probably have rejected the whole policy area, but not have resisted its upgrading through such log-rolling. To achieve its main aim, namely the completion of the internal market, the British Government therefore had to accept a slightly modified package.

Reform of the institutions underwent a similar process, due to Faure's linkage between the second and third parts of his paper, the institutional 'means' and policy 'priorities'. As befitted an MEP, Herman's paper on the institutions bore a considerable resemblance to the EP's concerns as expressed in

its dTEU, with extended majority voting and an end to the Luxembourg 'veto'.[38] Having recently urged greater reliance on the QMV-rule, the British representative found it hard to resist its extension to achieve policies which Europe-the Future itself had announced were Community priorities.

Rifkind and the two other minimalists did, however, oppose the proposal to end the Luxembourg Compromise's informal 'veto'. The right to defend 'vital national interest' was regarded as part of the *acquis* when Heath had applied for British entry, and many believed a Community of sovereign national governments without such an ultimate safeguard would be unlikely to last. The problem of its abuse, however, could not be solved by its abolition and Rifkind duly entered one of his two reserves on this clause. He applied the other reserve to the area which Faure described as the necessary 'method' for achieving the reforms: as Mitterrand's representative, Faure naturally advocated a grand conference of the member states as the only way forward.

The two fields of the internal market and institutional reform reveal the dynamic of issue linkage and tactical log-rolling which permeated the Dooge Committee and ultimately underpinned the Single Act. The representatives first expanded the scope of the market and then linked the enlarged policy to the decision-making means to achieve it. The Committee thereby established the circular relationship between policy areas and institutional reforms. Rifkind reluctantly accepted this linkage but rejected attempts to connect this agreement with an end to the Luxembourg Compromise or with the 'method' of a conference. He argued

[38] Interview with van Eekelen.

that the European Council which had appointed them should decide what to do with their conclusions.

Having reluctantly wielded reserves on two problems, Rifkind did not oppose other issues, even though the previous positions of the Thatcher Government and indeed Europe—the Future might have suggested the need for opposition. The British representative was unhappy about references to a 'qualitative leap' and the development of a '**common** external policy', but neither of these received British reserves. In short, the process of bargaining above the lowest-common-denominator had required the setting of priorities.

The same was true for the Irish representative, who deployed only one reserve, over defence, demonstrating a reluctance to obstruct the Committee he was chairing. Each of the minimalist representatives felt obliged to set priorities in terms of the areas of concern, so as not to appear in too many footnotes. On the one hand, Dooge had to defend the legitimate national interests of the Irish Government, while on the other he felt the need to secure substantial progress for the relaunch of the Community. That he felt obliged to include a reservation on defence alone suggested that this was the main priority for the Irish Government. That he did not join Papantoniou on the question of economic 'convergence' (even though this was a major preoccupation of the Irish) suggests that a desire not to be 'footnoted' was operating on the chairman. Even though Irish governments had previously raised the issue of economic convergence, Dooge felt that - of the two - defence was currently the greater priority for Ireland.[39]

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[39] Interviews with Dooge and FitzGerald.

For a body of governmental representatives, the Committee clearly did not act in a strictly 'intergovernmental' manner. By deciding to seek unanimity, but accepting 'footnoted' minorities, the Committee created a dynamic which produced a report of greater substance. If a representative appeared likely to 'footnote' himself as unable to join the emerging consensus, one of three things happened. First, the Committee could attempt to meet this specific concern. Second, the Committee members in the emerging majority could simply upgrade the compromise, leaving the recalcitrant representative in a footnote. Third, the majority could offer benefits elsewhere through issue linkage.

Though the compromises in cases two and three would embody lowest-common-denominators as dictated by the majority, they would represent improvements on the position which ruthless deployment of unanimity would have required. For example on institutional affairs, once Rifkind and Moeller had entered their reserves, the remaining participants were able to improve the compromise among themselves in a maximalist direction. This dynamic - which occurred again during the IGC itself - was hardly a strict form of 'intergovernmentalism', but it did deliver a report of substance to the Dublin European Council in December.

At Dublin, however, the heads of government proved unable to build on the Committee's Interim Report due to the weight of other Community business. Despite the best efforts of FitzGerald's Government to discuss the reforms, French wine and Greek concerns about enlargement dominated the agenda. The heads of government could therefore give only passing attention to their personal representatives' efforts.

Nevertheless, the Report's importance continued to lie in the gathering momentum behind the priorities which the representatives had outlined for their national governments.

The European Council did, however, take three important decisions for Dooge: first, it adopted the Belgian and Irish suggestion that the Committee should continue its discussions in order to reduce the areas of disagreement. This marked a rejection of a proposal to allow two separate reports, which would in turn have strengthened the minimalists' position by allowing them to opt-out of the majority's report. Second, it chose to publish the Report in the EC Bulletin and thereby reveal to wider public and bureaucratic arenas the bargaining so far. Last, the Council instructed the Committee to prepare a Final Report by March so that the heads would be able to decide on appropriate action at Milan in June. For the first time since the start of the budgetary dispute, the European Council would dedicate itself to considering the reform of the Community.

The second phase of the Dooge Committee

Due to the European Council's decisions at Dublin, the Dooge Committee's second phase proved to be qualitatively different from the first and yet no less significant to the making of the Single Act. The key differences lay beyond the Committee itself, especially in the altered background against which it operated. The decision to publish the Interim Report revealed for the first time the state of bargaining to the outside world. Until this point, the core executives in each of the national capitals had negotiated

with each other but with little reference to wider bureaucratic, public or parliamentary arenas.

This was especially true of the United Kingdom. Before 1984, the bulk of Whitehall - outside the charmed circle of Downing Street's core executive - appeared to have known little of the debates. With the issues' growing technicality, however, the core executive had had to draw on Whitehall's wider expertise, circulating sectoral proposals to the appropriate departments. The publication of the Interim Report therefore hastened the widening of the debate, alerting the outer reaches of the national bureaucracies. This in turn limited the negotiators' room for manoeuvre in constructing general compromises, as departmental interests would oppose sacrifices within their specific sectors.

Before the Dooge Committee resumed its mandate in the second phase, events in the Community also overtook it. Many commentators have stressed the impact of the new Commission under Delors on the policy-making environment in Brussels. One of the most immediate shifts was the choice of a new Commission representative on the Dooge Committee, Carlo Ripa di Meana. By all accounts Andriessen had played an important role in the Committee's proceedings, but he represented a President who knew that he would not be re-appointed after Dublin. Consequently, Andriessen had only been allowed to play a workmanlike rather than a maximalist role within the Committee.

As the new President at the Berlaymont could look forward to a secure four years in office, so the Commission representative on the Dooge Committee could add his support more openly to its maximalist wing. As a former MEP, Ripa di

Meana was also a founder-member of the federalist Crocodile Club and member of the EP's Socialist Party Group with Delors. His arrival on the Dooge Committee meant there were now three former-MEPs and one active MEP in a Committee of eleven: informally the EP was clearly well-represented. Given that the dynamic of the Committee had as much to do with the individuals and their experience, the shift which Ripa di Meana's presence signified was important.

With the publication of the Interim Report and the arrival of a new college of Commissioners, the informal nature of the Dooge Committee became harder to sustain. On one hand, the national bureaucracies' knowledge of specific debates within the Committee made compromises among core executives harder to broker. On the other hand, the new Commission sought maximalist changes from the moment it entered the Berlaymont following its 'investiture' by the EP.

Within this new context, the Committee faced the Dublin European Council's mandate of reducing the differences. The decision to retain a single report, instead of accepting majority and minority positions, maintained the pressure on the 'footnote' states to create priorities, and on the majority to show flexibility. The new publicity, however, made the task of agreeing a joint text more difficult.[40]

The willingness of the four new member governments to accept footnote status in extreme cases had also altered the nature of the game. Their decision during the first phase had opened the way for other governments to express their national concerns, with less stigma attached. The changes immediately after Dublin therefore appeared to undermine the

[40] Interviews with Dooge and Herman.

Dooge process, as the second report slipped below the *acquis* which the Interim Report had represented. As even the alliance of the more maximalist original six member governments appeared to fragment, many commentators became disheartened about the prospects for the Final Report.[41]

There were indeed more reservations in the Final, than the Interim, Report. Though a simple comparison of the two Reports suggests the maximalist group operated as a coherent bloc within the Committee, interviews suggest that the alliance was indeed more fragile than the texts imply. To some extent, the alliance of maximalists lost its way in the first two months of 1985. Only in late February did Kohl and Mitterrand react to the emerging divisions within the Committee and seize the initiative again. Shortly before their Franco–German summit, the French President echoed the Chancellor's recent rhetoric and announced that he would soon unveil a "surprise" within the reform process.[42]

Within the Committee itself, Dooge proposed a new departure in the search for a way forward. In the first phase, Committee members had written the reports which most interested them: Rifkind had provided a report on the internal market, Ruhfus on defence and Herman on institutional affairs. In the second phase, representatives undertook reports on areas which caused their authorities most trouble: this corresponded to the negotiating tactic of "brainstorming with the other side".[43] After Dublin, Rifkind duly assumed responsibility for Council decision–making,

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[41] Agence Europe, 23 January 1985.
[42] Financial Times, 28 February 1985.; interviews with Herman and van Eekelen.
[43] Fisher, Ury and Patton, Getting to Yes, p.63.

Papantoniou took economic convergence and Dooge assisted Faure with a report on defence and security.

At first sight, this second phase ploy appeared not to work. Rifkind produced the only 'minority' section in the Report, Papantoniou introduced another Annex on convergence and Dooge awkwardly retained a reserve on the defence section. Upon closer inspection, however, the second phase scheme did have an impact. In each area, the exact nature of the representative's problem was delineated and efforts made to accommodate the specific sensitivities. At the end of the process, if no substantive progress could be made and a reserve was still regarded as necessary, the party involved presented as coherent a case as possible. This clearer knowledge about national positions would prove useful in the intergovernmental conference. This was true for the British, Greek and Irish, though not the Danish, representatives.

The area of decision-making remained contentious. Whereas the Interim Report had effectively included three positions, the Final Report marked progress in that it contained only two. Though the minimalist three held their position on the extension of majority-voting, an uneasy alliance was constructed among the other seven with Ireland playing a pivotal role. There was considerable symbolic value in at least one of the new member governments joining the Six, though Dondelinger's allegiance to the majority was sorely tried in the bargaining process, as his footnote reveals.

On the question of economic convergence, a major dispute broke out between Papantoniou and Ruhfus. In the context of the Community of Nine, 'convergence' had meant harmonising economic policies (not performance) ready for economic and

monetary union, as Ireland and Italy had discovered over the EMS.[44] Representing the newest and poorest member of the Community, the Greek Government claimed that it could not harmonise or liberalise without significant financial transfers to assist Greece's economic performance. Papantoniou was therefore attempting to recast 'convergence' in terms of economic performance rather than economic policy, though the EC did not yet have an appropriate term for this distinction. The vague and novel nature of the request weakened the Greek position and facilitated Ruhfus' spirited resistance to it. In this instance, however, the debate over convergence was more than a pursuit of sidepayments: it represented a call for a new Community commitment to address the EC's regional inequalities.[45]

After publication of the Interim Report, the West German finance ministry also took greater interest in the emerging compromise, perhaps suspecting the diplomats' tactics. Stoltenberg, the West German chair of the Monetary Committee, pressed the Dooge Committee to accept one report from beyond its membership, marking a break with its practice to date. Though Stoltenberg may have excised references to a European Monetary Fund (EMF), common currency and central bank, the Dooge Committee accepted the strengthening of the EMS and European Monetary Cooperation Fund (EMCF), and greater use of the EC currency unit (ECU).[46] In the light of later debates, Rifkind's acceptance of these measures was significant.

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[44] Wallace, "Conclusions", in M. Hodges and William Wallace, eds. Economic Divergence in the European Community, (London, 1981). pp.204–223.
[45] Loukas Tsoukalis, "Economic Divergence and Enlargement", in Hodges and Wallace, eds. Economic Divergence, pp.151–166.
[46] Interview with Herman.

On reforms to EPC, Moeller unhelpfully maintained his blanket reserve. In contrast, both Dooge and Papantoniou clarified the exact nature of their difficulties. For the FitzGerald Government, the concern was Ireland's neutrality: the main problem was therefore the explicit mention of defence as a Community issue. For the Papandreou Government, the major concerns were the reference to the Atlantic Alliance, of which Greece was an uneasy member, and the search for an 'external policy', instead of mere cooperation. Having expressed specific concerns, the representatives were more likely to have their needs addressed at a later stage.

To an extent, the areas which caused difficulties concealed the extent of agreement. Technology for example was easily agreed. Under the vague term 'civilisation', the Committee also considered environmental, social and judicial issues: all were accepted without reserve. The only new reserve was on culture and came from Ferri who had wanted to include 'minority cultures', but had apparently been blocked by Papantoniou due to Greek concerns over its Turkish minority. In this way, the Final Report mapped out the consensus on which the whole codification process would be based.

Despite another three months of effort on the Final Report, the December Interim Report remained in several senses the more coherent of the two documents that the Committee produced. It contained less footnoted reserves and only one representative felt obliged to register an overall reserve in an Annex. The Final Report in contrast contained more reserves, a minority sub-heading and two national Annexes. Whatever their faults, the Reports together had "le mérite de fixer un cadre clair à la discussion". In Meenan's terms, a

majority had indeed settled on a point in the circular relationship between institutional and sectoral reform: the task thereafter was to meet the concerns of the minority, maintain the momentum of the majority and provide incentives to create a single, unitary text.[47]

Manoeuvres before Milan

The Dooge Committee completed its work only twenty-one minutes late, a record by Community standards. As agreed at Dublin, the March European Council merely noted the Final Report, though the maximalists talked of mandating the Committee to continue its work. The Committee had clearly demonstrated political leadership in its attempt to address the Community's future development, but as unanimity had not been forthcoming on Faure's 'method', there was no reason to call a conference. The first stage in codifying aspirations and informal integration had revealed national positions. Now the bargaining over these positions could start.

In this next stage, the Italian Presidency had to take the lead in preparing the ground for Milan's consideration of Community reform based on the Dooge Report. Craxi did not start consultations until mid-May, however, by which time the steam appeared to have left the Dooge process.[48] The Italian Presidency's indecisiveness and initial reluctance to conduct the required bilateral negotiations opened a window of opportunity for more active member governments, which several used to shift the basis of the emerging bargain.

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[47] Le Monde, 30 March 1985.
[48] Financial Times, 18 April 1985, p.2.

After Brussels, the Delors Commission itself pursued an alternative strategy in the absence of a grand conference. Since his arrival at the Berlaymont, Lord Cockfield had been considering progress on the internal market, the priority which he and ministers of trade had agreed in December 1982. Given the market's central position in both Dooge Reports, he duly sought and received a mandate from the heads of government to build on the Copenhagen conclusions with a draft white paper, even though this form of administrative document was still unknown within the Community.[49] By agreeing to Lord Cockfield's request, the European Council set in motion a now familiar series of events, which went far beyond Narjes' two schedules of decision-making priorities.

At the same time, Delors and Ripa di Meana developed an institutional dimension to Lord Cockfield's internal market project, echoing the circular linkage of the Dooge Reports. Even though the Commissioners allowed two terms to achieve the internal market project, they argued that the implementation of the white paper would require more Council decisions by majority voting. Fresh from the Dooge Committee, Ripa di Meana toured the national capitals to stress the importance of linking the market priority with the necessary institutional means. Back at the Berlaymont, Delors' core executive determined that political agreement to treat three articles as if under the QMV-rule would be sufficient for the project and could be agreed at Milan. After six months in office, the Commission would therefore lay before the heads of government a modest but significant plan to relaunch the Community's fortunes. The adoption of

[49] Interview with Lord Cockfield; Lord Cockfield, The European Union: creating the single market, (Chichester, 1994).

the white paper and political agreement on majority-voting would thereby avoid a conference and many of the areas of contention which had arisen in the Dooge Committee.[50]

The Thatcher Government, which had already moved a considerable distance since publishing Europe-the Future, also saw the end of the Dooge Committee as an opportunity to regain lost ground. The Report had gone further than it desired, for example over social policy, company legislation and the scope of the internal market, but - without consensus - even the maximalists appeared less sure of how to proceed. Though Mitterrand had threatened a 'surprise', Faure had apparently exceeded his brief and the French core executive, especially the Quai d'Orsay, was now proving more cautious. Even the Kohl Government now seemed more preoccupied with its farmers than with reform, while the Italian Presidency of the Council still looked uncertain about how or even if to proceed. Against this background of post-Dooge apprehension, Thatcher agreed to a British counter-proposal and an alternative package of reforms.

Building on but upgrading Europe-the Future, the Foreign Secretary produced a new series of proposals in the light of the Dooge negotiations and Lord Cockfield's white paper mandate. The 'Howe Plan' had four elements to facilitate the Community's development, none of which required treaty revision. All could therefore "be implemented without delay" or an IGC. On improved Council decision-making, Howe proposed that the European Council set annual priorities by

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[50] Financial Times, 31 May 1985, p.2. The three articles were 57 on recognition of professional qualifications, 99 on harmonisation of indirect taxation, and 100 on approximating all other provisions affecting the operation of the market.

common accord. Sectoral Councils would implement these by respecting QMV where it existed and abstaining under a 'gentlemen's agreement' in other cases, instead of "invoking the unanimity rule". Howe also circulated a draft agreement on EPC, written in the same vein as the London Report but explicitly including defence and creating a small but permanent EPC secretariat.[51]

Though the other two parts of the Howe Plan are not yet in the public domain, they apparently aimed at "associating the EP more closely" with the Community's policy process and providing a framework for "policies and decisions of an economic nature", namely a plan to complete the internal market by 1990. In sum, the Howe Plan represented a coherent and practical design, based close to the lowest-common-denominator of positions as expressed in the Dooge Committee. They also dovetailed with the British Commissioner's forthcoming white paper and were not so far from Delors' proposals. As a tightly drawn, delicately balanced package that gave something to everyone, the Plan should have stood a good chance of acceptance as a 'Yes-able' package at Milan.[52]

In the weeks before Milan, "many in Whitehall" thought that Thatcher "had played her cards rather well" since the end of the Dooge Committee. From having been one of the three minimalist, 'footnote' states, the British Government had seized the initiative and placed itself within the mainstream. Moreover, the Howe Plan provided a practical alternative to a full intergovernmental conference. Thatcher

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[51] Two parts of the 'Howe Plan' are in Agence Europe, 22 June 1985, p.3.; Financial Times, 10 June 1985, p.1.; Thatcher, Downing Street Years, 548.; interviews with Howe and Rifkind.
[52] Financial Times, 10 June 1985, p.1.; interview with Howe.

explicitly denied that such an event was either necessary or desirable. By early June she appeared to have won the argument within the Community arena. Ian Davidson of the Financial Times declared triumphantly that due to the "super-professional campaigning of her Foreign Office", Margaret Thatcher would politically 'win again' at Milan.[53] A strictly intergovernmental calculation of the governments' various positions, however, did not take into account the wider political dimensions.

As a technical contribution to the intra-Community debate, the British Plan contained one major weakness. It failed to address the needs of the Irish and Greek Governments for assistance with the rigours of a completed internal market. Throughout the Dooge process, the Greek Government had expressed its concern over the rigours of a completed internal market, quietly backed by the Irish Government. To be fair, most other member governments probably also underestimated the significance of this point before the IGC started. The British Government's ideological perception of a liberalised market, however, perhaps explains its particular failure to address the informally redistributive nature of the Community market, even though the Fontainebleau deal was based on recognising the budget's formal impact.

As a political design, however, the Government's Plan suffered from three tactical flaws. First, it disregarded the rhetoric of 'Union' as unimportant. Second, it threatened to deliver a major political coup to the persistently 'awkward' Thatcher Government. Last, the British Government appeared to underestimate the oft-repeated

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[53] Ian Davidson, "Mrs Thatcher wins again", Financial Times, 3 June 1985, p.15.; 1 July 1985.

Italian commitment to calling an IGC. Whereas the issue raised by the governments of the less prosperous states would be familiar to neo-*Realist* or intergovernmental analysis, the three other factors involved political intangibles. Without these unique historical circumstances, it is difficult to explain why the moderate British Plan was rejected at Milan.

The Thatcher Government might have been excused its neglect of 'Union' rhetoric given the perceived behaviour of the other governments. Most personal representatives in the Dooge Committee had eventually pushed hard to secure 'national' interests as defined by their governments, instead of pursuing a vague Union. The discourse, divided between creation of a full European Union and a 'political union' of an EC/EPC fusion, predated British membership and therefore had little resonance, beyond the connotations of England's various unions. Dismissing the European cant of Union as empty rhetoric, however, was to underestimate the importance of this concept to the original member governments and perhaps even their publics.

Concern among certain member governments over a British coup with the Howe Plan was fuelled by triumphalist articles in the British press declaring a victory for Thatcher. In this sense, Davidson's prediction of a "painless victory" for Thatcher became a self-negating prophecy. The Genscher-Colombo initiative had been undermined by Mitterrand's indifference to a 'European Act' of which he had not been author. The British scheme ran a similar risk from the revived Franco-German axis, which had attempted to seize the initiative in the Dooge Committee and warned of a 'surprise'. Mitterrand's commitment, even though his ploy was "un alliage

particulièrement complexe à partir d'éléments de politique étrangère et de politique intérieure", should not have been underestimated. Thatcher even made the UK Plan available to both the French and German Governments, even though they were likely to oppose such a coup by the leader who had until recently blocked the EC's development over money.[54]

Last and perhaps most seriously, the British Government appeared to underestimate the Italian Government's increasing commitment to calling an IGC. Since the end of the Dooge Committee, the three Benelux Governments had quietly pressed the Presidency to prepare for such a 'second Messina'. In late May, with time running out and little sign of progress, Tindemans announced publicly that at Milan they would propose "an intergovernmental conference even if the Italian Presidency does not bring it up".[55] As head of a self-consciously maximalist government, whose predecessors had hosted both the 1955 Messina conference and the signing of the EEC Treaty, Craxi was unlikely to accept the British minimalist proposal, no matter how 'pragmatic'. Political developments in Italy, such as success in the May local elections, meant that the Italian Presidency was both capable of, and perhaps more inclined towards, dramatic actions.

Despite Thatcher's later protestations to the contrary, the UK core executive also discounted the possibility of an IGC being called under article 236. In early April, however, a letter to the Times from a British MEP with good EC contacts

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[54] Davidson, "Thatcher wins", Financial Times.; interview with Peter Ludlow, Director of Centre for European Policy Studies (CEPS), Brussels.; "Franco-German initiative on EEC", Financial Times, 28 February 1985.; Le Monde, 28 February 1985, 6 March 1985.; Thatcher, Downing Street Years, p.549.

[55] Agence Europe, 20/1 May 1985, p.3.; interview with Tindemans.

confirmed Agence Europe's warnings that an IGC was appearing more likely. The MEP concluded that, when the IGC was called, the British Government would have "more to gain from our presence than our absence!"[56] Two weeks later, the chairman, Piet Bukman, of the transnational European People's Party (EPP) called a meeting of twenty-eight national political leaders, opinion formers and EPP parliamentarians to discuss the prospects for Milan and an IGC. Present at the transnational caucus were four of the EPP's five heads of government, the Italian Deputy PM, numerous ministers and the presidents of the European Parliament and its EPPG. To the political elite at the meeting, Paolo Barbi, chairman of the EPP's 'Working Group on European Union', stressed the emerging consensus among Europe's Christian Democrats on the need to create the Union, most probably through an IGC.[57]

Despite the tactical flaws listed above, the British document remained objectively a well-balanced, albeit minimalist, proposal. Despite its commitment to the EP in January, the initial hesitation of the Italian Presidency after Brussels, coupled with the European Council's decision to suspend the Dooge Committee's activities, may indeed have encouraged British confidence. In other circumstances or in a more traditional international organisation, Thatcher's Government might indeed have won the day. But simply setting out the UK stall, without seeking alliances or co-sponsors among the other member states, would not be enough within these EC negotiations, especially given the specific conjuncture of events and nature of the Community.

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[56] James Elles, Conservative MEP. Times, 9 April 1985.
[57] Agence Europe, 20 April 1985, p.4bis.; 22/3 April, p.3.

When Howe finally revealed the outlines of his Plan to the other foreign ministers at the informal 'Gymnich-style' meeting in Stresa, the debate was already shifting. Though the "model of British pragmatism" was probably a tempting alternative to a vague conference, political considerations and the British "reluctance to discuss institutions, innovations [or] strategies" were undermining the Howe Plan's technical appeal. Following a discussion with Tindemans, the Italian foreign minister circulated a draft mandate at Stresa for an IGC, mentioning explicitly that it could be called under article 236.[58] Of the two texts on the table, there was still more reason to expect the European Council's acceptance of the British, rather than the Italian, one. For the perceptive, however, the flow of events within the Community suggested an alternative *dénouement* to the process started at Fontainebleau.

The Milan European Council

The day before the British delegation flew to Milan, copies of a Franco-German draft Treaty on European Union arrived in London. Until recently, Mitterrand had appeared to shy away from major reform, while Kohl had been preoccupied with agricultural matters. Since the transnational EPP conference, however, the German Chancellor's focus appeared to have changed. With only hours left before the summit, the President and Chancellor revealed a new taste for the grand

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[58] John Pinder, "*Pragmatikos* and *Federalis*: Reflections on a Conference", Government and opposition, 20 (1985), 473-487. Quotations pp.473,485.; Agence Europe, 22 May 1985 pp.3-3bis.; interviews with Tindemans and Fergusson.

gesture. British surprise at receiving a text so close to the Council was compounded by 'fury' at the evident plagiarism of the Howe Plan which Thatcher had made available to the French and Germans. The latters' dTEU covered exactly the same ground as the British scheme and in places used the same language. Beneath the rhetoric, however, the dTEU was simply a political union of EC and EPC activities under a vague 'European Union' title. In all it made fewer changes than the Howe Plan to EPC and left the Treaty of Rome unrevised.[59]

The late Franco–German draft soured relations among the heads of government. Craxi, as Council President, felt especially slighted, as apparently none of the three largest member governments had consulted the Presidency over their proposals. Instead they had presented their documents at both Stresa and Milan unannounced. Backed by the Benelux Governments, the Presidency had circulated their draft mandate for an IGC at Stresa, but the three largest governments had simply ignored the Presidency's efforts. At Milan, the heads briefly discussed all three proposals, but without the Presidency bringing them to a conclusion.

The one area of progress on Milan's first day was the Commission's strategy. Lord Cockfield submitted his white paper on the internal market and Delors introduced his Plan to implement the entire project by 1992 by political agreement to use QMV in three articles. Following the Dooge Committee's 'priority–means' linkage, the heads of government endorsed both the white paper and provisionally Delors'

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[59] Interview with Howe; Financial Times, 10 May 1985, p.36.; Economist, 18 May 1985, p.64.; the Franco–German dTEU is in Agence Europe, 29 June 1985, pp.5–6.

proposal, though obliging him to drop article 99 from consideration. Though the European Council chose the French EUREKA initiative rather than the Commission's 'European Technology Community' (ETC), the Commission appeared to have achieved most of its objectives on the first day.[60]

Given the general suspicion of the draft TEU and conference mandate, Craxi's European Council appeared likely to result in a modest set of conclusions, despite the optimistic rhetoric and political commitments since Fontainebleau. As unanimous support for an IGC was clearly lacking, the soured relations and low expectations of the first day grew worse on the second. Acceptance of the minimalist Howe Plan (rather than the Franco-German dTEU) and modest Commission strategy therefore seemed the most likely outcome from Milan.[61]

Late on the second day, however, with debate still deadlocked over anything but the most minimal deal, Kohl left his seat during a break to join Mitterrand and Craxi at the head of the table. Unknown to most heads of government, the German Chancellor now wished to discuss the Italian draft mandate for an IGC which was still on the table. Due to the alphabetical seating arrangement, he was able to confer immediately with the French and Italian premiers. With the same ease, Craxi then spoke with his two immediate neighbours. On one side sat Jacques Santer, the Luxembourg Prime Minister: as incoming Council President, he would be responsible for any conference called at Milan. Given the Benelux Governments' calls for an IGC since the end of the Dooge Committee, Santer naturally supported the initiative.

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[60] Financial Times, 27 June 1985, p.2.; Agence Europe, 31 July 1985, pp.3-4.; Europe Documents, No.1363.; Com(85) 320 final.
[61] Interviews with FitzGerald, Howe and Tindemans.

On Craxi's other side sat FitzGerald, who had demonstrated his pro-Community credentials during the Dooge Committee.

As the Italian draft envisioned an article 236 conference, it required the support of only a simple majority, that is six of the ten. Craxi could therefore make the necessary consultations with a potential majority without leaving his seat. Though the simple majority vote required only six favourable responses, FitzGerald's decision to side with the maximalists avoided a simple but acrimonious division between the original EC members and the four later entrants. Due to the convenient seating arrangement, Craxi had secured a majority in favour of an IGC before Thatcher, still "pushing her way through the crowd" from her seat at the other end of the table, had realised what was happening.[62]

Despite protestations from the British, Greek and Danish heads of government, Craxi swiftly reconvened the meeting and called for a simple majority vote under article 236. Echoing the maximalist position taken in the Dooge Committee, the seven other heads voted in favour of the conference to which they had committed themselves three months earlier. Outside the debating chamber, there was apparently applause at the European Council's first majority vote, but presumably not from the three governments which found themselves in a minority. Despite the UK's well-laid plans and determined campaign to avoid a formal IGC, the maximalists had 'bounced' Thatcher into one with a Treaty-based vote. With this decision, the Community entered its first open-ended IGC and therefore unknown territory.

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[62] FitzGerald, All in a Life, p.596.; Thatcher, Downing Street Years, 550-551.; interviews with FitzGerald, Tindemans, Rifkind and Howe.

Chapter Five

Creating the intergovernmental conference

Eleven years later, it is easy to underestimate the impact of the Milan European Council of June 1985. At the time, the use of the Treaty's simple majority voting rule to convene an intergovernmental conference sent a shockwave through the Community. Nowhere was the impact greater than in London, where the Government had publicly resisted such an IGC since Fontainebleau a year earlier. But having entered unknown territory, no other government could know exactly what the IGC would entail.

One French MEP dismissed the Milan vote as unimportant and unlikely to affect the discussion of reforms: "on a décidé à la majorité que demain on décidera à l'unanimité". In contrast, Ian Davidson in the Financial Times claimed that the game had now changed completely, both for the British Government and the Community as a whole.[1] The last two chapters will try - by tracing the decision of the British Government to attend and then its attempts to influence the direction of the bargaining - to determine which of these two analyses was more accurate.

To be, or not to be, at the IGC

Before considering the opening of the EC's first such conference, it is important to establish why the British Government chose to attend, as there were good reasons for

[1] Christian de la Malène, Le Monde 12 July 1985; Ian Davidson, Financial Times 8 July 1985.

holding out after the humiliation at Milan. For two days after the Council, British participation does appear to have hung in the balance. As Thatcher's character had become "the single most important factor in assessing a diplomatic position", reports of her "undisguised fury" following the Italian 'ambush' and given her unilateralist style, an 'empty chair' policy towards the IGC was plausible.[2]

The arch-*Realist* Hans Morgenthau had once warned against the practice of majority votes in politics among sovereign nation states.[3] Few international organisations permitted such voting, especially among heads of government. The reactions of the three governments defeated in the Milan vote appeared to vindicate Morgenthau's warnings. The Danish prime minister described the act of being outvoted as a violation, while the Greek premier portrayed it as a virtual *coup d'etat* against his Government.[4]

During Thatcher's 'fury', Government Whips suspended the European Communities (Finance) Bill from consideration in the House of Commons. This was symbolically significant, as it represented the "most significant piece of primary legislation" since 1972, as it included the introduction of the UK's budgetary rebate secured at Fontainebleau. But it also permitted the increase in Community own resources which Thatcher had conceded. The Second Reading of the Bill had already sparked a Tory revolt of twenty anti-Marketeer MPs. Given the Bill's importance, the understanding on the backbenches was that the Government had acted to retain--as a "bargaining counter--the passage or non-passage of the Bill"

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[2] Young, One of Us, p.190.; Times, 1 July 1985.
[3] Morgenthau, Politics among Nations, pp.309-312.
[4] De Ruyt, L'Acte unique, p.62.

for "use in international negotiations", by which they meant the forthcoming IGC.[5]

Though the Bill would not have been a particularly effective bargaining counter, its suspension revealed the depth of British anger. Given the apparent regret of certain delegations at the divisiveness of the Milan vote, the seven governments in the majority might not have held together until the formal convening of the IGC in late-July. The Dooge Report had already demonstrated the frailty of the maximalist alliance, so a British refusal to attend - backed by careful diplomacy - might have caused some doubting governments, such as the Luxembourg and Irish ones, to reconsider their positions. The threat of exclusion was clearly not one that all governments were willing to deploy.

Moreover, an acceptable 'Best Alternative To a Negotiated Agreement' (BATNA) was already on the table.[6] The British Plan, with its 'gentlemen's agreements' on Council decision-making, improvements to EPC and other modest reforms to the Community, remained on the table after Milan. Although rejecting the IGC, both the Danish and Greek Governments had accepted these proposals, clearly establishing the lowest-common-denominator among Community governments. These two minimalist governments might themselves have invoked the Luxembourg Compromise to block the IGC's formal convening, thereby leaving the Howe Plan as a settlement by default.

For the British Government in particular, the 'BATNA' appeared especially attractive, for also on the table was Lord Cockfield's white paper on the internal market. Without

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[5] Hansard, vol.81 (25 June 1985), col.795.; vol.84 (22 October 1985), col.180.; Financial Times, 26 June 1985, p.13.
[6] Fisher, Ury and Patton, Getting to Yes, chapter 6.

Treaty revision, completion of the internal market was programmed for 1992. Though the heads had not adopted the Commission proposal for a 'European Technology Community', Lord Cockfield's paper would itself create an internal market for technology products. To ensure the market's timely completion, the minor changes to the Council's decision-making - namely Delors' proposal to treat two articles as if under QMV - could also have been introduced without an IGC.

This approach would have avoided ratification by national parliaments, which was also a consideration for the Thatcher Government. In an important sense, the IGC therefore remained irrelevant to the primary policy preferences of the British Government: neither the internal market nor improved foreign policy coordination required the creation of the Single Act. Nevertheless, the risk of being excluded from a conference comprising only some member governments ran directly counter to British strategy. The French President stated that Milan had sorted "out those in favour of a strong united Europe from those who were hanging back". Though "speculation about a two-tier Europe" might lead nowhere, it added an element of uncertainty to political calculations.[7]

More important than the negative fear of exclusion was the positive pull of the Government's agenda. Although Moravcsik has stressed the hypothesis that "British officials helped convince Thatcher to join the inter-governmental conference", the ministers in her own Government were at least as insistent about the need to participate.[8] Though advocating informal methods, the Howe Plan had itself conceded the need

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[7] Times, 1 July 1985.

[8] Moravcsik, "Negotiating the SEA", p.71.

to use majority voting to improve the EC's decision-making mechanism. The IGC might simply guarantee a formal and more assured means to achieve the same ends.

In addition to promoting greater liberalisation within the Community, the British Government also had secondary interests in other policy sectors. The ESPRIT project for example, had demonstrated the value of a Community dimension to technology policy. The CBI and several British companies had made a good case for codifying this functional cooperation within a suitable budgetary and bureaucratic framework. The limits placed on the EC's environmental policy by its lack of treaty base had already caused concern within the House of Lords and extended policy community: formalisation was widely desired. The IGC was therefore an opportunity for updating the Community to the administrative needs of the 1980s.

On reflection, the prospect of such a conference probably started to seem less threatening. Called under article 236, it was explicitly an *intergovernmental* conference, limited only to reforming the Treaty of Rome. As the IGC would comprise only "representatives of the Governments of the Member States", the European Parliament would have no formal part in the bargaining process, in contrast to the arrangements in its draft Treaty. Moreover, even the Commission's role was uncertain. Whereas the Dooge Committee had represented the European Council's membership, including the Commission President, the delegates to the IGC were to be representatives only of the 'Governments of the Member States'. As such, even Delors' representative might be excluded from the IGC itself.

More important than the composition of the conference, though, was the ultimate decision-making rule. Whereas a simple majority could call the IGC, article 236 required the member states to agree "by common accord the amendments to be made". In Community parlance, 'common accord' (in contrast to 'unanimity') means agreement by all member governments, with abstentions counting against. Common accord provided Thatcher with a formal, guaranteed veto over the IGC's changes, a means to moderate the threatened transformation of the Community. As the last chapter will reveal, however, common accord proved a blunter weapon than anticipated.[9]

The potential risks of being sidelined by its partners or relegated to the (s)lower-tier of a two-tier Europe were therefore complemented by far more positive reasons to participate in the conference. In the light of the latter, the vote at Milan and Thatcher's subsequent public protestations falsely exaggerated the Government's approach to progress and, two days after the vote, she decided to attend. As neither the Danish or Greek Governments were likely to veto proceedings to which eight had agreed, the British decision to participate ensured the IGC proceeded.

For the parliamentary arena, the Prime Minster announced that the Government would "naturally attend any such conference", though she expressed doubts about "whether it would take long as there appear to be only these two [articles] before it". Previously discussing the IGC's prospects, she had claimed with calculated prescience "on BBC radio that it will fail" anyway.[10] However, the vote at Milan

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[9] EEC Treaty of Rome, article 236. See article 148(3) for the difference between 'unanimity' and 'common accord'.
[10] Hansard, 82 (2 July 1985), cols.185,189,194.

had fundamentally altered the game for the British Government and thereafter the Community entered unknown territory.

Britain's strategy for the IGC

Once committed to the conference, the Government attempted to align the two levels of European diplomacy. Knowing he might later have to bring a more wide-ranging deal before Westminster, Howe grasped the nettle, in contrast to when Europe—the Future was published. At the July Council which formally convened the IGC, Howe repeated the Government's call for completion of the internal market and creation of a separate accord on EPC. On the need for treaty revision, he remained "to be convinced": when he reported the same to the Commons, however, he was bringing the parliamentary debate in line with the Government's European discourse on reform.[11]

Both anti-Marketeer and pro-Community wings of the Conservative party noted that the Government was now "more enthusiastic about the conference". A concerned Nicholas Budgen of the anti-Marketeer 'European Reform Group' reminded Howe of the Government's earlier commitment to oppose any IGC and to "rule out any proposals for amendment".[12] Howe nevertheless attempted to increase his room for manoeuvre and outline two areas where concessions might be necessary; the powers of the European Parliament and the creation of a 'European Union.' Given the Conservative party's historical concern with parliamentary sovereignty, either would be hard for the Government to concede.

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[11] Hansard, vol.83 (24 July 1985), cols.1061-1070.; Putnam, "Diplomacy and Domestic Politics".
[12] Hansard, vol.83 (24 July 1985), col.1030.

The end of the dual mandate had fuelled the Westminster parliamentarians' general suspicion of their counterparts in Strasbourg. Nevertheless, Howe argued that the EP should be allowed to "play a more positive role" in Community policy-making "within its existing powers". To avoid a theological dispute, he couched his strategy in pragmatic, rather than principled, terms, and stressed co-decisionmaking as a "prescription for no decisionmaking" rather than a threat to sovereignty. Throughout the IGC, backbenchers' suspicions would restrict the Government's room for manoeuvre.[13]

On 'European Union', Teddy Taylor asked awkward questions about Kohl and Mitterrand's draft Treaty, which remained on the table. Thatcher had previously replied that she had instructed her Cabinet "colleagues not to use this phrase because it causes confusion here": after Milan, she had expressed the "wish that we could drop the phrase 'European Union'" altogether. Howe instead accepted the challenge of discussing 'European union', explaining that the goal of a union for Europe was "laid down as long ago as 1946 by Winston Churchill". The Treaty of Rome expressed the commitment as an "ever closer union between the peoples of Europe" which Heath had accepted in 1972. A decade later, Margaret Thatcher had reaffirmed the pledge to 'union' in the Solemn Declaration. Howe suggested that the Conservative Party, so often the 'party of Europe', therefore had little to fear from the concept.[14]

In conclusion, Howe reassuringly appealed to traditional diplomacy and quasi-*Realist* calculations, declaring it simply

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[13] Ibid., col.1070.

[14] Hansard, vol.82 (2 July 1985), cols.190.; vol.83 (24 July 1985), cols.1063-4,1064,1066.

an "essential British interest for the Community to be able to function more effectively". To this end, he reported that the Government's proposals at Milan remained "valid" and were still on the agenda as an alternative to a Treaty on European Union. With little idea how the IGC would be conducted, the Foreign Secretary had been well-advised finally to bring the UK parliamentary arena into line with the Community debate.[15]

Though the debate in the Commons revealed the continuing divisions within the Conservative party, the balance of rhetoric appeared to be shifting towards the pro-Europeans. In the light of Howe's explanation, Sir Anthony Meyer, a moderately pro-Community backbencher, promised the Foreign Secretary an "overwhelming majority" of the party's support in the IGC, allowing him "complete freedom of manoeuvre". In contrast, Taylor's veiled warning - that Thatcher's earlier stance against an IGC had won "widespread" support from the backbenches - won less support.[16] Howe had clearly judged the House's mood right with his appeal for support.

The parliamentary timetable would also be working in the executive's favour. The potential embarrassment of having to explain policy shifts and bargaining strategies to the UK's parliamentary arena would be mitigated by the Commons not sitting much longer. The summer recess started on 26 July and, fortunately for anxious Whips and party managers, Parliament would not reconvene until 21 October. It would then sit only a week before prorogation. With the Government resisting a white paper on the issue and Westminster in recess for most of its duration, the IGC's timetable

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[15] Hansard, vol.83 (24 July 1985), col.1063.
[16] Ibid., cols.1064-5.; interviews with Howe, and Sir Teddy Taylor, Conservative MP.

minimised the opportunities for backbenchers to use the House as a political platform.

Moreover, as a diplomatic forum, the conference would probably fall beyond the limited remit of the Commons' Select Committee on European Legislation. Though the Foreign Affairs Select Committee could have investigated the proceedings, its timetable reflected that of the House. Though Howe promised MPs they would have "ample opportunities to consider" the negotiations, timing militated against a major parliamentary role in the IGC, at least initially.[17]

One final shot from the backbenches, however, revealed a fundamental point about the executive's approach to the IGC. Jonathan Aitken, having heard both the Prime Minister and Foreign Secretary address the House, claimed he saw a "growing gap" between No.10 Downing Street and the Foreign Office over British policy towards the IGC.[18] The rhetoric employed by the PM and Foreign Secretary on their separate appearances before the Commons had certainly suggested subtly different perceptions of the IGC, which Howe did not explicitly deny. The perceived gap, however, was more than a difference of rhetoric.

Members of the core executive naturally denied a split between No.10 Downing Street and the Foreign Office. Despite the public façades, however, probably all ten EC governments were to some extent "struggling with internal divisions" over the IGC, attempting to adopt common positions through whichever "sub-committee of the Cabinet" dealt with Community

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[17] Hansard, vol.83 (26 July 1985), col.1496.; vol.83 (24 July 1985) cols.589-590w,1069.; interview with Nigel Spearing, Labour MP, chair of Select Committee on European Legislation.
[18] Hansard, 83 (24 July 1985), col.1066.

affairs. Within the British core executive, a "certain degree of irritation, actual or potential" between the FCO and No.10 Downing Street was "the normal law of Whitehall", even more so over contentious issues such as the IGC. This section will now consider the core executive's different positions and how they interacted to shape a 'British' approach to the conference.[19]

The Foreign Office was attempting to balance three duties within the Community arena: first, as with other Whitehall departments, it had a departmental interest, namely improving the efficacy of British diplomacy by reforming EPC's codes of practice. As part of the core executive, the FCO also had to defend the prerogative rights of the nation state it represented, and ensure that the Community functioned across its numerous policy areas. After five years of the budgetary dispute, the Foreign Secretary apparently wished to demonstrate a constructive side to British membership.[20]

On European Political Cooperation, the FCO interest lay in defending the Howe Plan circulated at Stresa, resisting the weak provisions of the Franco–German draft TEU and stressing substantive reform over mere tinkering. This would include a "binding agreement", "formalisation of the commitment to consult" and "closer cooperation on security" within the EPC framework: as such the Government knew what it wanted, had maintained a consistent line and was well placed to achieve its objectives through active diplomacy.

From the Franco–German draft Treaty, however, the IGC's mandate had acquired a commitment to creating a full 'common

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[19] Irish Times, 9 September 1985, p.6.; Sir Nicholas Henderson, quoted in Dickie, Inside the FCO, p.261.
[20] George, Awkward Partner, p.183.

foreign and security policy' (CFSP). As creating the Union - even the minimal 'political union' - was for heads of government to decide, the FCO's Political Director focused on the challenge of the 'CFSP' obligation. As a sector outside the Community, EPC could not be easily linked with other issue areas: as such, lowest-common-denominator bargaining would probably strengthen the Political Director's hand. One backbencher described EPC reform as the Government's "major objective" in the IGC, but for the Foreign Office it remained in fact only one of three tasks.[21]

The second of these - to defend the state's prerogative rights - seemed straightforward, but clashed with the third, namely to improve the EC's efficiency. Every article under the QMV-rule increased the probability that the Foreign Secretary would be unable to defend a particular British sectoral interest in Council: moreover, a QMV-majority could only be 'trumped' by a politically expensive appeal to 'vital national interests'. At Milan, the Commission President had proposed applying QMV to two new articles. As a rule, the Thatcher Government opposed QMV's extension, but the unanimity-rule had allowed other governments to block progress on issues - such as liberalisation - which the British Government favoured. The addition of Spain's and Portugal's Governments did not bode well for the Council's implementation of Lord Cockfield's internal market by 1992.

The Foreign Office therefore faced competing structural imperatives; on the one hand, defending unanimity as a means of protecting sectoral interests and, on the other, improving the Community's efficiency. The Howe Plan had proposed

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[21] Hansard, vol.83 (24 July 1985), cols.1063,1031.

'gentleman's agreements' by which ministers would abstain instead of demanding unanimity: at the time, several member governments had been unconvinced about its efficacy. Since Stresa, however, a West German minister had exercised the Luxembourg Compromise over a QMV-decision for the first time. Howe could therefore draw some consolation from the "clear demonstration of the reality" that all governments seemed to define and defend their interests as it suited them, in line with *Realist* doctrines.[22]

Within the core executive, the views on the other side of Downing Street contrasted with those of the Foreign Office: the Prime Minister appeared to view the prospects of the IGC from a subtly different perspective. While the "Battle of the Budget [had] put Mrs Thatcher where she wanted to be—in the front line"--the new agenda threatened to reduce her role.[23] Reform of the Community placed her on the defensive and raised the importance of the General Affairs Council: the latter, rather than the European Council, would coordinate the technical and disparate detail of the IGC negotiations.

Moreover, the recent turn of events had become more personal and in the EC's bargaining process personality is important. In Parliament before Milan, Thatcher had specifically opposed the calling of an IGC: at the European Council, she had been in the outvoted minority. While the humiliation of a British minister attempting to veto the CAP price regime in 1982 had been irritating, Thatcher had not been present. At Milan, however, it was a personal defeat, as accounts of the episode reveal.[24] The combination of

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[22] Hansard, vol.83 (24 July 1985), col.1065.
[23] Dickie, Inside the FCO, p.263.
[24] FitzGerald, All in a Life, p.596.

structural and individual interests therefore set the PM slightly apart from the Foreign Office.

The Chancellor at No.11 Downing Street had a clearer set of policy preferences, stemming from the Treasury's five years' struggle for a budget rebate and the continuing battle over fiscal rectitude. In short, the Chancellor was unwilling to consider reforms entailing further EC expenditure. The Government already faced a revolt over the EC Finance Bill, even though it would introduce the rebate mechanism agreed at Fontainebleau. Though the internal market and improvements to EPC were acceptable, as virtually cost-less, Lawson would oppose changes that meant he had to ask Parliament for a second increase in the EC's Own Resources during the same session. The Government's ideological commitment to reducing public expenditure simply reinforced the Treasury interest.[25]

Though largely unrealised at the time, despite Rifkind's decision not to veto references to the EMS or EMCF in the Dooge Report, Lawson was also pursuing a second departmental policy towards the Community. Though independent of the IGC, the results of the Chancellor's policy would nonetheless have a pro-European dimension. Independently of Europe—the Future, which did not mention monetary affairs, the Chancellor had effectively placed sterling's entry into the ERM on the agenda again. In February, one month after Lawson had convened the "first serious meeting" on the issue, an intra-CBI debate over the ERM finally resolved itself in favour of entry and the CBI went to press. Rumours abounded that the influential Institute of Directors was also reconsidering its position on the ERM. In the course of

[25] Interview with Willetts.

1985, Lawson had "gradually brought [his] officials around" too, convincing the financial and monetary wing of the core executive, namely the Treasury and Bank of England, before "tackling the Prime Minister" herself.[26] His pro-ERM campaign would unintentionally come to a head during the IGC.

The Whips' Office at No.12 Downing Street added another dimension to the considerations of the core executive. For John Wakeham, the "F.O. Whip" Tristan Garel-Jones and party managers, the issue of 'Europe' continued to pose problems. Over the second reading of the Finance Bill, twenty Conservative backbenchers had voted against the Government, in defiance of the Whips. Though the governmental majority was still overwhelming, the revolt was important in that it had spread beyond the hard core of anti-Marketeers to include moderate pro-Marketeers. The latter were alienated from the Government's European policy by the financial implications of the 1984 Fontainebleau deal. For example, Terrence Higgins, chairman of the Treasury Select Committee, was critical of the Government's handling of the whole finance issue, while others questioned its implications for Westminster's hard-won and historical taxation prerogatives.[27]

As the IGC was likely to expand the debate, backbench opposition would probably also spread. Whereas the FCO probably had an interest in widening EC competences instead of introducing more of QMV, the Whips Office had a clear stake in limiting new EC policy areas, which might enlarge the size of backbench rebellions. Over a conference which

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[26] Interviews with Feeny, Raisman and Robinson.; Lawson, View from No.11, pp.484-500.
[27] Economist, 22 June 1985, pp.23-4.; Hansard, vol.81 (25 June 1985), cols.867-70.; Financial Times, 26 June 1985, p.13.

the Government had resisted, the main aim was apparently damage-limitation: fortunately for the Whips, Parliament's timetable was conducive to limiting domestic debate.

From these four perspectives, the core executive around Downing Street crafted a 'British' approach to the 1985 IGC. Although other Whitehall departments might have had interests in the EC's reform or the addition of a Community dimension to their policy areas, they were apparently not consulted at this stage. Concern over expenditure, the impact of new policies, party management and concluding "the agenda before [them] as quickly as possible" created a powerful bloc on the northern side of Downing Street favouring a minimal result.[28] On the southern side, the FCO was more positive about the IGC, having both a positive agenda towards reform of EPC and a desire to return to the mainstream of Community politics. In short, the 'United Kingdom' would approach the conference with a coherent, but minimalist, policy, resting on a subtle *intra*-governmental compromise.

The state of play among the EC governments in July 1985 suggested that the British Government's plans were not unrealistic. For example, the West German administration, usually among the most *communautaire*, appeared to be pursuing its own self-interest over the CAP. The logic of electoral timetables also dictated a short, and hopefully painless, conference. With early-1986 general elections scheduled in France, Spain and the Netherlands, these governments would wish for swift and uncontroversial resolution of the intra-Community bargaining before they faced their electorates.[29]

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[28] Hansard, vol.83 (24 July 1985), col. 1030.

[29] Emil Kirchner, Decision-making in the European Community, (Manchester, 1992). Quotation, pp.94-5.

Moreover, the Franco–German axis had not recovered from disagreements over global trade liberalisation at the G7 summit in May. Howe duly exploited the rift in the Community's 'special relationship' to pursue bilateral contacts with Genscher. With his Government no longer playing the 'federalist hero', the West German foreign minister inclined towards the British position on a number of issues. He declared that neither a single treaty nor the creation of the 'Union' might be necessary. With its experience of conference diplomacy, the British Government therefore appeared set to enter the Community mainstream as the Government had hoped, with good prospects for its minimalist approach.[30]

The Political Committee and EPC

The first challenge to the Government's approach came in the Political Committee. Of all the policy sectors with which the 1985 conference dealt, EPC was the most 'inter-governmental'. It was largely insulated from bargaining over EC competences and so could not easily be subject to issue linkage. The nature of Political Cooperation also meant that log–rolling was minimised and the most recalcitrant member state could probably demand the 'lowest–common–denominator'. Institutionally, the Commission played only a minor role and the Parliament none at all. As a policy sector, EPC was therefore well suited to the British strategy.

With its debates separate from the those of the IGC, the Committee could leave the theological issue of 'European

[30] Agence Europe, 9/10 September 1985, p.3bis.; Dickie, Inside the FCO, pp.131–159.

Union' to the heads of government. But even EPC alone involved consideration of substantive reform - such as the possibility of a new treaty and creation of the 'common foreign and security policy', as mandated at Milan - all by 15 October.[31] As the Franco-German text echoed Genscher's formulation of a Fouchet-style 'political union' linking the EC and EPC, these two governments were more interested in altering the rhetoric surrounding EPC than its actual practice. As such, the French and German Political Directors apparently did not press for the detailed mechanics of a fully-functioning CFSP themselves.

The Irish Government, in line with its one reservation in the Dooge Committee, would be wielding a veto over mentions of defence, while the Greek representative would oppose references to NATO and the development of WEU. Within these parameters, the critical role of Sir Derek Thomas, the UK's Political Director, was therefore to resist the dilution of the Howe Plan. The Political Committee's deliberations were complicated, however, by the arrival of two new EPC texts, coupled with certain delegations' insistence that they return to the Solemn Declaration and Dooge Report.[32]

The first of these was the new Dutch plan which attempted to split the difference between the two existing positions, bringing the debate towards British views.[33] The Netherlands' draft echoed the British desire to maintain the primacy of the foreign ministers, instead of creating a "Council of European Union": it also expanded EPC's remit to all aspects of security, not simply the 'political and economic' ones.

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[31] Milan communiqué in Agence Europe, 22/3 July 1985, p.3.
[32] Interview with Sir Derek Thomas, Political Director, FCO.
[33] Agence Europe, 2/3 September 1985, pp.5-6.

It noted NATO's prerogative in defence, but advocated the use of the WEU for those wishing to go beyond EPC's 'security'.

Less to British taste was the smaller state's desire to create a "**common** external policy", even though it represented a downgrading of the IGC mandate. As a 'common' policy, however, it smacked of the CAP and common fisheries policy: foreign policy would simply not fit such a paradigm. The Dutch text also proposed that the Commission become a *de jure* foreign policy participant, with its overseas offices treated as traditional embassies. Even more worrying for the FCO, however, were the proposals to harmonise all EC relations with third states and international organisations, with a common treaty base linking EC and EPC activities.

Though shifting the debate away from the Union and from a super-secretariat to a small administrative secretariat, the Netherlands' proposal still applied too much Community method to foreign policy for the British Government. Against these proposals, however, the latter could probably rely on Danish, Irish and perhaps even French concerns to construct a blocking group and thereby halt the *communautaire* drift. The classic distinction between high and low politics so far appeared to hold for the reform of EPC, with foreign policies classified as 'high' politics and therefore not susceptible to the horsetrading evident in Community policies.

Given the wide range of proposals on one of the fields which mattered most to the London Government, coherence of purpose and active diplomacy led by the Political Director would be required to win the initiative back. At this precise moment, however, a crisis in one of the other two key circles of British diplomatic interest clashed with the

Government's policy in the European circle. As Rhodesia had frequently troubled British governments of the 1970s, so South Africa would prove the bane of Commonwealth relations in the 1980s. In contrast to the former, South Africa would overshadow a greater number of international relations, including those under European Political Cooperation.[34]

Since the Federal Republic and United States had both agreed in mid-1985 to introduce sanctions against the South African Government, other EC member states hoped to press home the advantage through EPC coordination.[35] At the next EPC ministerial meeting, Rifkind was therefore faced with a set of EPC measures intended to demonstrate the Community's resolve to speak as one. These included the withdrawal of military attachés, a move which ran counter to established British policy. With IGC talks underway about improving EPC and strengthening its procedures, Rifkind felt the need to contact his political superiors over opposing the sanctions.

Advances in telecommunications, and the virtual collapse of geography as an obstacle to instant diplomacy, allowed Rifkind to consult both the Foreign Secretary, who was in Nigeria, and the Prime Minister in Downing Street. This example of the "acceleration of pace" in diplomacy permitted a rare glimpse into the tension between a fragmented policy-making process and a highly integrated communications network. Despite "lengthy consultations with the Prime Minister" and the Foreign Secretary, Malcolm Rifkind had to report back that the British Government could not yet agree to the proposed package of sanctions: discussion of the issue

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[34] Martin Holland, The European Community and South Africa: European Political Cooperation Under Strain, (London, 1988).
[35] Economist, 14 September 1985, pp.67-68.

(echoing the Luxembourg Compromise's language) would therefore have to continue.[36]

At one level, differences between Howe's analysis and Thatcher's "brute convictions" over British priorities demonstrated the difficulties inherent in coordinating positions within one core executive, let alone harmonising policies among ten. However, the South African incident also threatened to weaken the British bargaining position over EPC, by affording other governments a stick with which to beat it. Roland Dumas immediately seized the stick. He declared that Thatcher was simply "trying to preserve a traditional and outdated market in South Africa", instead of building the European internal market.[37]

A month before the Commonwealth summit in Nassau, where South Africa would be at the top of the agenda, the Guardian reported that the British PM was already under pressure "to give way to European Community demands" over sanctions, so as to join the majority European position. Given the Government's commitment to formalising EPC, the core executive's difference of opinion over a more traditional circle of interest was "unusually embarrassing". The South African issue went immediately to full Cabinet, in contrast to reform of the Community which apparently never did.[38]

The South African incident revealed the difficulties in harmonising national positions, but the Italian Government

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[36] James Der Derian, Antidiplomacy: Spies, Terror, Speed and War, (Oxford, 1992). p.4. See "The (S)Pace of International Relations", pp.129–140.; Guardian, 11 September 1985, p.1.
[37] Young, One of Us, p.484.; Daily Telegraph, 11 September 1985, p.32.
[38] Economist, 14 September 1985, pp.67–68.; Guardian, 16 September 1985, p.28.

drew different conclusions. Rather than informal structures for settlement, the differences of opinion needed more formal ones: this entailed reviving the CFSP mandate. Craxi appeared to take advantage of the disarray among the other large member states to provide a new lead. Drawing on the Dooge Report as much as the three previous proposals, Craxi introduced a full-blooded European Union by placing EPC entirely within the Community as a "return to a situation of unity in the institutional system".[39]

Within the CFSP, a sectoral Council of Ministers would coordinate EC positions, aided by the Council Secretariat instead of the Franco-German super-secretariat. The construction of the Union would allow the EP to be "as closely involved as possible" in the policy, with its views receiving "full consideration" from the 'CFSP-Council'. Through joint Union/WEU Council meetings, the Community would gradually overcome its taboo on defence and broaden its security remit to include "keeping the peace in Europe", "disarmament and arms control".

While absorption into the Community threatened EPC's informal nature on one front, article 3 of the Italian plan proposed that "consensus, respecting the majority opinion" become the new basis of decision-making. The formula smacked of more *communautaire* procedures, though it did not list sanctions against those not respecting the majority opinion. Coupled to the replacing of national embassies with "joint representation in third countries", the Italian plan clearly attempted to move the discussion beyond both the modest British proposal and Franco-German dTEU.

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[39] Italian document in Agence Europe, 14 September 1985, pp.5-6.; 16/7 September 1985 pp.5-6.

Whereas the original task for the Foreign Office had been to limit the impact of the Franco-German proposal, it now faced two new proposals. Though both strengthened the substance of EPC, especially on security - which the British Government wanted - each had its defects in British eyes. The Italian text relied on creation of the 'European Union', while the Dutch one wished to normalise foreign policy as an EC 'common' policy. In contrast to the IGC itself, active diplomacy and the need for unanimity would probably enable the British Government to overcome these complications. The sudden expansion of the agenda and the maximalist aspirations of certain governments even in this most 'intergovernmental' of policy areas should have provided a salutary lesson about the nature of the Community's first substantive conference.

Opening the IGC

With the hindsight of two intergovernmental conferences and their resulting treaties, the nature of a Community IGC today appears self-evident. When the third IGC is convened in 1996 in line with Maastricht's commitment, the questions will be less about its structure. In mid-1985, however, it was not clear what such a conference would entail. During the 1970s, the EC member governments had called several 'IGCs' under article 236 to amend the Treaties, but they had merely formalised previously settled inter-institutional agreements: the bargaining was over before the 'IGC' had even convened.

The 1985 IGC would differ from these precedents as there was no prior bargain, though the Dooge and Adonnino Reports had outlined possible areas of settlement. In contrast to

the Political Committee's parallel efforts, the format would be unfamiliar and the players could raise a wide range of issues for discussion. The member governments therefore faced a conference without precedent and with an open agenda. Despite the "patient preparation of every stage" in Whitehall and Westminster, the British Government would find the Community's first major intergovernmental conference subtly different from the 'conference diplomacy' with which it had become so familiar.[40]

The first ministerial meeting set the tone and format for the conference through initial decisions about the IGC's structure and the involvement of various parties. That meeting on 9 September revealed that the Community's IGC would be more than a simple 'intergovernmental' conference in three major aspects, stemming from unique features of the Community structure: they were the Council Presidency, the role of the Commission and the capacity of MEPs to influence the course of events. It was clear from the start that this was a new form of 'conference diplomacy'. This section will now consider each factor in order.

The Presidency-in-Office of the Council itself has a dual nature, providing both an opportunity and a challenge to the office holder. The Presidency is an occasion for a member government to "raise [its] profile" within the European arena, "make a significant political impact on Community policies" and gain political capital in the national public arena. The national government responsible for a Presidency has two places at the Council table, one for the chairman and one for the sectoral minister. The challenge for the

[40] Dickie, "Conference Diplomacy", Inside the FCO. Quotation on p.133.

Presidency lies in its structural imperatives to ensure the smooth functioning of the EC and brokering of compromises within the Council. To this end, the Presidency is assisted by the Council Secretariat, with a seat at the table in its own right.[41]

The interests of the Luxembourg Government, responsible for the smallest state in the Community, naturally informed its approach to the Presidency. That of the Grand Duchy - with the Belgian and Dutch Governments - has traditionally been to regard the EC as a means to mitigate the vulnerability of smaller states amidst the European 'great powers'. Contempt for small states' territorial integrity during both World Wars and their inescapable openness to the global economy lessened the impact of the sovereignty–integration dichotomy felt within larger, more viable nation states. Even within a *Realist* calculation of state interests, certain national governments clearly perceived advantages from 'sacrificing' their sovereignty to gain greater autonomy over their affairs through the EC.

In cooperation, the Governments of the three Benelux states - the EC's consummate sub–system - enhanced their collective influence. Moreover, with the Greco–Danish minimalists at one extreme balanced by the Italian maximalists at the other, plus the British Government still bedevilled by a negative image and the centre vacated by the discordant Franco–German axis, the IGC appeared ripe for Benelux activism. Shortly before the first meeting of the conference, the Benelux Governments vowed "to consult each other closely" throughout the proceedings. On the one hand, the Presidency gained two

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[41] Kirchner, Decision–making, pp.79–86. Quote p.86.

automatic allies within the IGC, and, on the other, the two larger Benelux Governments in turn gained influence over the Presidency.[42]

In the 1985 IGC, however, the pro-Community orientation of the Luxembourg Government apparently came second to the dictates of office, though the Luxembourg interest was probably close to the Community's 'common' interest anyway. Whereas all Presidencies ultimately rely somewhat on the Council Secretariat, the small size of the Luxembourg Government ensured close and early cooperation. For the 1985 conference, the Secretariat established a small Task Force under Pol Christoffersen. All normal pressures to run a 'good' Presidency by brokering the necessary deals in time for the European Council were sharpened by the 1985 IGC.[43]

As a "permanent fixture" in the Community structure, the Council Secretariat is well-placed to assist the President-in-Office. Though glimpses of it in action are rare, anecdotal evidence suggests the supranational Secretariat places an insider's expertise of the EC and knowledge of national positions at the service of the Presidency. For smaller states with limited administrative resources, the Secretariat assumes even greater importance. Under the guidance of Niels Ersboll, the Secretariat had shifted from "a purely passive to a more active role in the drawing up of compromises" in Council.[44] As such, this supranational body,

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[42] Philippe de Schouteete, "The European Community and its Sub-systems" in Wallace, ed. Dynamics, pp.106-124.; Agence Europe, 7 September 1985, p.3.; 9/10 September 1985, p.3bis.; interviews with van Eekelen and Tindemans.

[43] Interview with Pol Christoffersen, Head of the Secretary General of the Council's Private Office.

[44] Kirchner, Decision-making, pp.77-78.

with its *de jure* presence in all Council meetings, was well placed to contribute to the 1985 IGC.

With its unique imperatives and its own Secretariat, the Presidency is virtually a supranational institution in its own right. During the IGC, it is almost impossible to distinguish the advice of the Secretariat, the Government's policy preferences and the office's obligations. For example, the first Presidency text presented by Santer was developed from "an initial outline drawn up by the secretariat": the importance of responsible and balanced drafting would surface again later.[45] Though not apparent at the time, the Community was fortunate to have had a Luxembourg Presidency in the critical first conference.

The second aspect which distinguished this *inter-governmental* conference from other diplomatic fora was the role played by the Commission: as with the Presidency, it contributed a blend of institutional and individual interests to the reform process. Though article 236 does not explicitly mention the Commission's role in an IGC, it was represented from the first meeting. Ultimately the Commissioners would play a crucial role in the negotiations, presenting over half of all proposals.[46] As with the head of any executive, the personality of the premier is also a factor: the aspirations and talents of Jacques Delors, the former-MEP and French finance minister, meant that the resources of his nine month old College of Commissioners would be bent towards a pro-Community solution. As an institution, it also had a structural interest in the

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[45] Agence Europe, 6 September 1985, p.3.
[46] Ibid., 9/10 September 1985, p.3.

strengthening of the Community. Each new competence and integrative step agreed would extend the role of the Commission. To this end, its Secretariat provided expertise, while individual Commissioners used their close contacts with capitals, so that the institution had an unrivalled advantage at the centre of the IGC's web of contacts.

The final distinguishing characteristic of the IGC involved the European Parliament. The UK Government had reluctantly accepted the IGC at least partly on the grounds that it was to be purely intergovernmental. Article 236 mentioned no role for the EP, beyond providing an Opinion regarding the convening of the IGC: it therefore had no formal right to participate or even approve the results of the bargaining. Despite the formal strictures, Poos in his capacity as Council President opened the first meeting of the IGC with a letter from the EP President, Pierre Pflimlin, suggesting that the Parliament's exclusion from the conference would "not be normal" or acceptable.[47]

Under pressure from the Institutional Affairs Committee, and Spinelli in particular, Pflimlin had written to petition the governments for a role within the conference. In its Opinion, the EP declared that it in fact "began the process", which led to the IGC, by drafting the dTEU in 1984.[48] Poos, using his position as chair of the IGC, placed the question of a response to the letter on the agenda. As it was the EC's first IGC without prior interinstitutional agreement, there was no precedent for the EP's role, so political decisions themselves became precedents. Poos stressed the

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[47] Pflimlin's letter: Agence Europe, 9/10 September 1985, p.3.
[48] The EP's Opinion is in EC Bulletin, 7/8–1985. p.9.

importance of including the EP and set ministers the question of how, rather than whether, to include MEPs in their 'intergovernmental' debates.

In the absence of other reasoned alternatives, the only proposal forthcoming at such short notice was based on a "suggestion from the President of the Commission". Delors proposed that a delegation of MEPs discuss the IGC with ministers and who, at the end of the conference, would 'submit' their agreement to the EP. The Luxembourg Presidency adopted the procedure, noting Genscher's and Andreotti's explicit support and the tacit consent of several others. Pflimlin had thereby secured the Parliament a role in the IGC and some political leverage within the bargaining process. Once included, the EP's commitment to a "single draft treaty", to be created after "taking into account" its own 1984 draft TEU, ensured that another voice had been added to the maximalist side of the debate. On the issue of involvement in the IGC, the member governments had clearly not parried "parliamentary pressure with ease" and the EP was not simply "ignored", as Moravcsik claimed.[49]

Also at the first meeting, Poos posited an important form of issue linkage, drawing on the Dooge Report. The text prepared by the Secretariat duly suggested a linkage between individual policy areas and institutional reform. It also suggested widening the EC's competences with four new policy areas: environment, energy, technology and monetary affairs. As Poos explained, the Presidency expected the sectoral debate simply to "spill over" into the institutional

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[49] Agence Europe, 6 September p.1.; 9/10 September 1985, p.3bis.; EC Bulletin, 7/8–1985, p.9.; 9–1985, p.7.; Moravcsik, "Negotiating the SEA", p.64.

discussion as the Community decided upon its "second generation" objectives. The Presidency also linked the Political Committee's discussions to the IGC, even though they were running on different tracks. As the Political Committee would present its reform proposals on 15 October, and foreign ministers would meet as the 'IGC' on 21 October, the Presidency suggested ministers should simply consider the Political Committee's efforts at the same time.[50]

Through administrative convenience, the Presidency sidestepped the theological difference between the EC and EPC and thereafter subtly linked the two separate aspects of Milan's mandate. A joint deadline did not render a single treaty inevitable, but it did present the ministers with an opportunity which might not otherwise have arisen. The Luxembourg Government had therefore influenced the course of this first IGC in directions which suited both its governmental and Presidency concerns. At the first meeting, however, the Presidency was not alone in its efforts to set the direction of the conference.

Conceding that the creation of a 'European union' and reform of the Luxembourg "pseudo-compromise" were unlikely, Delors adopted a modest form of issue linkage. Whereas the Presidency had proposed a linkage between all sectoral reform and all institutional reform, Delors only proposed linking a set of sectoral competences which he claimed "constitutes a whole". As such they would be the necessary "pedestal" for the relaunch of the Community. Apparently drawing on the Dooge Report for inspiration, the Commission had devised a

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[50] Agence Europe, 9/10 September 1985, p.3bis.; 11 September 1985, p.3.; Guardian, 10 September 1985.; Agence Europe, 9/10 September 1985, p.3bis.; 4 September 1985, p.3.

package which linked the internal market to three 'flanking' policies, namely technology, a monetary capacity and a new policy with a *communautaire* label coined by Delors, namely 'economic and social cohesion'.[51]

From the first meeting, it was apparent that issue area linkages would play a major role within the IGC due to the efforts of the Commission and Council Presidency. Merely suggesting forms of linkage, however, did not imply their universal acceptance. The two other Benelux Governments had immediately welcomed the Presidency's sector-institutions linkage and Delors' 'pedestal'. Genscher also agreed that "everything was interconnected, in an overall, coherent framework" within the IGC. The majority of the foreign ministers, however, remained either suspicious or cautious of the approach. Nonetheless, these two forms of issue linkage would assume increasing importance during the IGC, ultimately underpinning the SEA bargain itself.[52]

Though the negotiations would revolve around governmental policy preferences which had emerged over recent years, no single government could dictate the manner in which its preferences were codified as Community competences. As the involvement of the Council Presidency, Commission and EP in the first meeting suggests, the 1985 IGC would be more than a strictly intergovernmental conference. In this process of bargaining amidst governmental preferences, the three supranational institutions wielded a considerable degree of political influence and leverage.

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[51] EC Bulletin, 9-1985, p.10.; Agence Europe, 11 September 1985, p.3.
[52] Ibid., 21 September 1985, p.3.

Codifying Integration

Within a week of the first ministers' meeting, their official deputies' Working Group, chaired by Jean Dondelinger (the Luxembourg representative to the Dooge Committee), received its first proposals: all three came from Delors' Commission. Not only did its texts informally start to set the IGC's agenda in line with the Presidency's paper, the Commission also established an approach to codifying the integrated policy areas. The decision to end consideration of the Howe Plan also reinforced the Commission's strategy. Concluding that it would be impossible to "reach a compromise" on plans "outside the overall political debate" of the IGC, the deputies agreed to drop the British proposals submitted at Milan. The Thatcher Government admitted its Plan had failed to win majority support, though Howe realised that this concession threatened to open the "floodgates", after which "everything might end up on the table".[53]

The absence of a coherent "Euro-mafia" of the original Six in turn strengthened the Commission's approach. One reason for their reticence was that codifying the process of informal integration proved far more complex than expected. Whereas rhetorical exhortations had been easy to make in the Dooge Committee and at Milan, the detail involved with formalisation was intricate. Despite an earlier bravado that suggested a desire for a maximalist agenda, Genscher for example discovered that the federal structure of the West German Republic in fact rendered concrete proposals for federalising the Community extremely difficult. At the first

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[53] Agence Europe, 9/10 September, p.5.; interview with Howe.

meeting, he called only for a treaty-based environmental policy, instead of the manifold policy sectors which the 'European Union' presumably deserved. For various reasons, coordinated positions from either the Six or the Franco-German axis were remarkable by their absence: coupled with the Howe Plan's demise, this paved the way for Commission activism.[54]

The Commissioners duly seized the initiative, presenting proposals on the environment (following Genscher), high technology and internal market, of which the latter two represented half of Delors' 'pedestal' linkage. The Commission pitched its proposals to gain majority support slightly above the deal which the most recalcitrant government would probably have requested. The three Benelux Governments jointly announced they would "take the Commission proposals as a working hypothesis". The Benelux willingness to cooperate gave the Commission a base on which to construct majorities and build momentum. If other member governments had known more clearly what they wanted from the IGC, then the Community institutions and smaller member governments might not have wielded such early influence.[55]

This section will now consider the process by which the Commission proposed to codify the results of prior informal integration. The texts on the environment and high technology proved the least contentious. Reflecting specific sectoral developments, the Commission proposals were models of how to codify existing patterns of integration, while also establishing a suitable framework for the sectors'

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[54] Times, 9 September 1985, p.13.; EC Bulletin, 9-1985, p.8.
[55] Agence Europe, 19 September 1985, p.3.; 20 September, p.4.

continuing evolution. The proposal on the internal market, however, would become one of the IGC's most difficult, partly due to the ambitions of the Commission and Lord Cockfield particularly.

As the Dooge Report had revealed, codification of environment policy was generally acceptable. In line with growing criticism since the late-1970s over the lack of a treaty base, several EC ministers had specifically requested such a proposal and the Commission introduced its text, even though it was not part of Delors' pedestal. Its proposal was therefore "a response to this criticism" and attempted to "do no more than legitimise what was happening anyway".[56] Nonetheless, codification as an EC competence represented a first - and indeed significant - step of formal integration.

In line with the Presidency's linkage, the Commission proposal included the possibility of introducing the QMV-rule for areas in which the Council agreed in principle to act. This represented a second step of formal integration and an innovation in the environmental field, as the policy area had operated under articles 100 and 235, requiring unanimity. Though the proposal intended to 'improve the Council's decision-making procedures' and 'extend Community policies to new areas of activity' in line with the IGC's mandate, several governments expressed opposition to introducing qualified majority voting (QMV).[57]

Beyond this innovation, the Commission text was remarkably modest. As a 'common' policy, the environment clearly could not become primarily an EC responsibility, in contrast to the

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[56] Haigh and Baldock, Environmental Policy, p.20.
[57] Agence Europe, Europe Documents, No.1366, 30 July 1985.

common agricultural and fisheries policies. Echoing a federal division of responsibilities, similar to the Tenth Amendment to the United States' Constitution, the Commission proposed only a subsidiary EC competence for policies better implemented at the Community rather than national level.[58] Flexibility was also important, with the Community setting only a minimum level and allowing governments to apply higher national standards. For those requiring assistance with meeting even the minimum standard, Delors proposed financial assistance and temporary derogations from EC legislation.

As the original proposal would remain largely unchanged throughout the IGC, the Commission had clearly understood the parameters within which it operated. By appeasing all those with higher standards, less developed economies or concerns over national sovereignty, the Commission improved the prospects for its two steps of integration, namely codification as an EC competence and introduction of QMV. The relative disinterest of the Delors Commission in this policy area at the time may in part explain the modesty of the proposal: that it closely followed the path of earlier functional (and informal) integration explained its success.[59]

The second of the Commission's proposals concerned high technology, a policy area in which the Commission had actively sought a Community dimension. Commissioner Davignon's round table on IT had resulted in adoption of the ESPRIT project at Copenhagen three years earlier. This had paved the way for schemes in other sectors, such as

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[58] Without explicitly mentioning the term 'subsidiarity', the Commission clearly outlined such a concept for the EC.
[59] Interview with Lord Clinton-Davis, Commissioner for the Environment.

biotechnology and telecommunications. In his recommendation to the IGC, Delors proposed a Community framework into which the various sectoral projects would fit and over which the Commission would gain a coordinating role.[60] In contrast to environmental policy, however, a parallel attempt to codify pan-European technology cooperation was already underway in the French EUREKA project.

At Milan, the Commission had attempted to pre-empt EUREKA by proposing the creation of a free-standing 'European Technology Community' (ETC) to complement the three existing Communities. While allowing Mitterrand's EUREKA to proceed at once, the heads of government delayed the ETC to consider the proposed increases in the Community's budget and bureaucracy. The Commission's proposal to the IGC flowed directly from its plans for an ETC, though Delors had modified it in the light of the governments' criticisms.[61]

Instead of a new Community, the IGC text simply proposed that technology become a Community competence, subsidiary to the research efforts of national governments. The Commission's role would be to coordinate, rather than conduct, projects. In contrast to EUREKA and the original ETC, Delors' technology proposal envisaged funding largely from the private sector and research institutes, thereby avoiding the need for massive public transfers. To ensure efficiency and overcome disputes about *juste retour*, the Commission text introduced majority voting on aspects of the technology policy, representing a second integrative step beyond simple codification.[62]

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[60] Interview with Roberts.
[61] De Ruyt, L'Acte unique, p.205.; COM (85) 320 final.
[62] Guardian, 20 September 1985, p.25.

For the IGC, the Commission also marketed technology as a 'flanking policy' to the internal market. While the framework policy would coordinate the pre-competitive efforts of policies such as ESPRIT, the implementation of Lord Cockfield's white paper would encourage increased competition and economies of scale. The removal of barriers and mutual recognition of technical standards would thereby create an internal market in high technology products. In line with Delors' pedestal linkage, post-research competition would therefore complement pre-competitive research.

The third Commission proposal concerned the internal market itself. As the white paper pointed toward the first integrative step, namely codification as an EC competence, the Commission introduced three further steps of formal integration. The most radical was the proposal to introduce majority voting for all treaty articles concerning the internal market, excepting only the free movement of people. Given the extent of the white paper, the QMV rule's application to all relevant policy areas would have transformed the Community. It was more far-reaching than at first appeared, because the Commission would essentially have administered each market sector once agreed by QMV. Not only would national governments be less able to defend sectoral interests in Council, but the Commission would then act as the EC's executive in all agreed areas. As such, the proposal would radically have altered the balance between the national governments and Community institutions.

The two other integrative steps involved definitions, first of the internal market, and then the 1992 deadline's legal standing. The Commission's proposal deliberately defined the

market as an "area without frontiers", with "the same conditions as those existing within a Member State".[63] This represented much more than a free trade agreement, echoing instead the rhetoric of the Kangaroo Group's 'economic space' required for a consolidated 'European Union'. The second step was definition of the 1992 deadline's status, which the Commission proposed should have automatic legal effect. This would have allowed citizens to sue governments in the European Court for failure to implement the internal market by 31 December 1992. In combination, the three steps of the Commissions's internal market proposal went significantly beyond its modest Milan suggestion. In June, Delors had deemed the introduction of majority voting for only two articles as sufficient to implement the white paper.[64] His IGC proposal marked a significant upgrading of the Commission's aspirations, moving from the minimum necessary for the internal market to almost the maximum conceivable.

With its first three proposals, the Commission subtly transformed the IGC, especially from the British perspective. By starting with two less contentious texts, on environment and high technology, Delors provided good reasons for agreeing in principle to revise the treaty. In neither area did the Commission claim to do more than 'legitimise what was happening anyway', without increasing the EC budget: this paved the way for the codification of the two policy areas and acceptance of Treaty revision itself. Though the British Government apparently had some doubts about the second

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[63] Agence Europe, 25 September 1985, p.1.; interview with Lord Cockfield.

[64] The two were EEC Articles 57 and 100, after Delors had had to drop Article 99: Hansard, vol.82 (2 July 1985), col.188.

integrative step, namely the introduction of majority voting, it regarded both texts as 'Yes-able'.

Delors' and Lord Cockfield's global approach, however, transformed the internal market, for which the British Government had called since early-1983. The Government had to resist such a wholesale transfer of responsibility to the Community. Moreover, legal advice from the Lord Chancellor's Department would have drawn attention to the 'Pandora's box' inherent in both the wide-ranging and ambiguous definition of the market, and the automatic legal effect of the 1992 deadline. The British task was to whittle down the opening Commission position. In this struggle over detail, the article 236 veto was a blunt weapon, especially as the Government had all but accepted treaty revision by agreeing to the technology and environment proposals. By seizing the initiative, the Commission had overcome opposition to Treaty revision and tabled an internal market text at the maximalist end of the spectrum.

As the governments digested the three texts, the Commission announced that these formed only the first *tranche* of its proposals, with another five proposals to come before the deadline. Whereas Thatcher initially believed the IGC would not "take long as there appear to be only these two" articles to consider, the Commission had decided to exploit the opportunity of an IGC to enlarge the agenda. As its internal market text demonstrates, the Commission was providing much more than "logistical support". The early inclusion of environment and technology represented more than a "concrete mandate" which Delors "quietly slipped" in to the debate. Acceptance of these uncontentious issues denoted a

willingness to revise the Treaty, thereby overcoming a major barrier to the relaunch of the Community.[65]

Linking issues and packaging policy areas, the Commission was already shaping the compromise around which maximalists and minimalists would eventually converge. Though not alone in drafting proposals for the IGC, the Commission proved easier to study than most governments. In a few instances, however, the process by which core executives overcame internal divisions to submit their own texts is apparent. The following sections detail two case studies, only one of which produced a proposal: nevertheless the insights drawn from these two examples cast further doubt on a strictly intergovernmental analysis of the conference.

Transnationalism within the IGC: the EP

While minimalists such as the British welcomed the Commission's overall caution, MEPs were less pleased. Though some commentators have cast doubt on the IGC's need to co-opt the EP's "rising demands for even more thoroughgoing institutional reform", the influence certain MEPs wielded, especially through transnational organisations such as the European Peoples' Party (EPP) and its members of the EP Group (EPPG), appears to have been considerable.[66] Although relatively simple to chart the formal activities of the EP, such as its questioning of the Commission and various recorded votes, the EP's informal influence is extremely elusive. If one adopts a solely institutional approach, then

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[65] Hansard, vol.82 (2 July 1985), cols.185,189.; Moravcsik, "Negotiating the SEA", p.66.
[66] Ibid., p.64.

the influence of the MEPs is almost entirely concealed. As its impact on the process of informal integration demonstrated, however, the European Parliament - like national assemblies - is not a unitary actor. Operating as transnational or sectoral groups, MEPs appear to have wielded greater informal influence than the EP acting formally as an institution.

In his reply to Pflimlin's letter regarding the IGC, Poos placed the governments' decision to "take into consideration the draft treaty adopted by the European Parliament" in the most positive light. More importantly, the EP delegation could "put forward its opinion" and the conference would "submit the results of its work to the European Parliament".[67] Through the Luxembourg Presidency's good offices, the ministers had thereby offered the Parliament a role in the IGC, despite the lack of a formal requirement, or in some cases much desire, to do so. The issue which most interested the EP as an institution was naturally its own powers. Though the Commission had initially listed the EP among its future proposals, Delors was apparently not now intending to deliver such a text in either of the first two *tranches*.

Instead, the Commission appeared to be advancing its own position by securing responsibilities in new policy areas, but avoiding the EP's powers as too controversial. MEPs from both the Institutional Affairs Committee (IAC) and the EPPG duly expressed concern at the lack of a proposal. Though the Parliament could not submit texts to the conference, it could pass motions referring to its eighteen-month old draft Treaty on 'European Union'. Surprisingly the EP's Bureau refused an

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[67] Agence Europe, 11 September 1985, p.4.

emergency motion to this effect. The decision in effect denied MEPs an opportunity to debate the IGC's direction in plenary until after the mid-October deadline for proposals. The EPPG's Egon Klepsch and IAC's Fernand Herman questioned the Bureau's judgement, but were unable to overcome its opposition.[68]

At the next IAC meeting, Lambert Croux, its vice chairman and an EPPG member, took up the cause and insisted on the need for a proposal to increase the EP's powers. He concluded the meeting with a thinly veiled threat, in which he listed the Parliament's three weapons: sacking the Delors Commission, rejecting the 1986 budget and refusing to provide Opinions for any consultation procedures. As the EC had reached a "crystallisation point" in its development, he claimed the conference had to transform the EP from being an "incomplete institution in an overall incomplete system", or risk its wrath.[69] Despite the IAC's posturing, it was the EPPG-network which apparently produced results.

Within a week of Croux's demands, the Federal Republic unexpectedly produced a proposal on increasing the powers of the Parliament. Though two weeks earlier Genscher had advocated only an environmental proposal, the Chancellor Kohl's Office made an unanticipated contribution to the IGC.[70] The inelegant West German document had all the hallmarks of

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[68] Agence Europe, 14 September 1985, p.5.; interview with Herman.

[69] Lambert Croux, a Belgian MEP, was Vice Chairman of the IAC from July 1984. Agence Europe, 20 September 1985, pp.3-4.

[70] Agence Europe, 26 September 1985, p.4. The proposal's inelegance included: extending consultation to Article 228, which already had this provision; and proposing to link the EP's cooperation procedure to all articles with Council majority-voting, though referring to Article 235 (where the the Council acted by unanimity, not QMV).

having been assembled in great haste, as the inconsistent choice of articles suggests. Though no documentary evidence seems to exist detailing the impact of the EPPG's call on the Bonn government, the pattern of informal influence appears consistent with the transnational network linking the EPPG and its national Christian Democrat counterparts in the EPP.[71]

The series of changes proposed in the West German document echoed both the EP's demands in its dTEU and the Presidency's linkage. The system of Council–Parliament "*Zusammenwirken*" (cooperation) would only apply to twelve articles loosely connected with the completion of the internal market. On 'constitutional' issues affecting the EC, such as the calling of IGCs, accession of new members and negotiation of association agreements, the Federal Republic wished to provide the EP with a formal veto through a new procedure of 'consent'.[72]

Though revisions of the Treaty were supposed to facilitate decision–making, the new 'cooperation' procedure's cumbersome conciliation committee would have delayed all EC legislation by almost a year. As such, the hasty proposal failed the efficiency test, leaving itself open to obvious criticism from the practical, rather than principled, opposition of the British, Danish and Greek Governments. In the Commons, Howe had already warned that "co–decision making could easily be a prescription for no decisionmaking": the recent German proposal demonstrated the point.[73]

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71 Ibid.: interviews with Tindemans, FitzGerald and Meenan.
72 Though the SEA ultimately used the term 'assent' (Articles 8 and 9), the thesis retains the original and alliterative (ie with 'consultation' and 'cooperation') term 'consent' for the procedure: Agence Europe, 26 September 1985, p.4.
73 Hansard, 83 (24 July 1985), col.1070.

At the pro-Community end of the spectrum, the West German proposal received criticism for the cooperation procedure's assault on the classic Community method of decision making. The proposed conciliation committee would have severely curtailed the Commission's right of initiative once a decision had passed to Council. This undermined an existing institutional right, which the Commission and its pro-Community allies would defend. For the maximalist Italian Government, the German proposal did not go far enough: already Craxi was linking his Government's agreement of the IGC's results to the reactions of the EP.

Although the brave West German foray into institutional reform had found few friends, it opened the bargaining over the future role of the European Parliament. Before the proposal, both governments and the Commission had avoided placing this contentious issue on the IGC's agenda, focussing instead on sectoral issues where the Dooge Report had revealed potential agreement. The historical record suggests MEPs themselves contributed to the process of agenda-setting through their transnational network: though a national government had formally to present the text, its origins appear to have stemmed from the European People's Party.

UK intragovernmentalism and the IGC: monetary cooperation

Whereas the German proposal apparently resulted from the efforts of the EP and a transnational network, an *intra*-governmental debate within one core executive apparently set the pace on monetary cooperation and shaped the Commission's approach. In contrast to the text on the EP

which came sooner than the Commission would have wished, the proposal on monetary cooperation was delayed without explanation until after the official deadline. With hindsight, this case study casts doubt on both the *Realist* view of the 'state' and intergovernmental institutionalist model of the unitary executive. It does, however, support claims for the relative autonomy of the national political leader in the policy process.

Since Delors first addressed the IGC, this former finance minister had confidently depicted a vague 'monetary capacity' as a cornerstone of his pedestal. Initially, at least, this suggested codification of EMS cooperation: only later did it assume the monetary union (EMU) overtones with which it has become associated. The opinions of key national figures, especially Thatcher, rendered agreement on EMU unlikely. In London, many Tory backbenchers regarded ERM membership alone as a constraint on sovereign control of the national money supply on which 'Thatcherism' was predicated. For the Conservative right in particular, the ERM was doubly suspect, as being both *communautaire* and restrictive of domestic monetarism. The UK was therefore the major obstacle to codification.

Surprisingly, the Presidency had called an informal meeting of EcoFin in late September, at least publicly to discuss fiscal barriers to the internal market and how to handle their removal outside of the IGC. Given the agenda, it was surprising that Delors accompanied Lord Cockfield to a technical meeting on indirect taxation. In retrospect, Jacques Santer, as Luxembourg's PM and Finance Minister, had decided to test the waters on a different issue, namely

codification of monetary cooperation.[74] The Presidency had decided to explore such a step, as the preconditions for an agreement appeared to be sliding into place.

After months of internal wrangling, the UK's CBI had finally declared its support for ERM membership in February 1985. This marked a minor victory for the Europe Committee within the Confederation's hierarchy. By September, even the Economist confessed that, after six years, the Monetary System had worked better than expected. As the Government was "already operating a *de facto* exchange-rate target", the Economist concluded the UK should join the ERM immediately, if only to avoid another "refusal to dare which cost Britain its lost years outside the common market". Also in September, the IoD's Director General sent an open letter to the Foreign Secretary calling for sterling's entry into the ERM. Though in one sense he merely "joined the growing body of opinion" in favour of entry, Sir John Hoskyns' status as former advisor to Thatcher and now head of the influential IoD set him apart from the majority of commentators.[75] That Hoskyns had an open, pro-ERM letter published in his name - even though due to pressure from the IoD's pro-Community European Affairs Committee - marked a political departure.

In an important sense, the public declarations merely echoed a more secretive, intragovernmental debate of the ERM. In his resignation speech five years later, Sir Geoffrey Howe made reference to this late-1985 debate on ERM entry, while Nigel Lawson's autobiography subsequently provided many details. Even at the time, it was clear that the Bank of

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[74] Agence Europe, 20 September 1985, p.5.

[75] Interviews with Raisman and Feeny; Economist, 21 September 1985, p.15.; Daily Telegraph, 4 September 1985, p.19.

England approved the move, the Treasury would now "probably not oppose entry and the Foreign Office [had been] in favour" for some time. As the Daily Telegraph rightly surmised, the majority of institutions and individuals involved in the decision-making process favoured ERM entry.[76] In light of these developments, the Luxembourg Presidency had called the informal EcoFin, because it knew the direction of debate within the UK's core executive over monetary cooperation.

Though independent of the IGC, a change in British policy over the ERM would have been perceived as an important, pro-European step. In late-1985, opposition nevertheless came from No.10 itself, as it had in 1979. The Prime Minister was personally resisting entry to the mechanism. With the support of Alan Walters, she had repeatedly delayed debate until finally producing a questionnaire which "read rather like a rag-bag of every objection to ERM membership that anybody could come up with". Despite Thatcher's explicit opposition, Lawson's insistence finally secured his policy a hearing before an *ad hoc* Cabinet sub-committee, scheduled for 30 September.[77] Though plans to consider entry into the ERM were of course "firmly denied by Treasury and Downing Street sources" alike, City dealers did not believe the denial. With the dealers continuing to believe policy was under review, the pound dropped against the Mark, falling 8 *pfennigs* in one day. Elsewhere, the Bank for International Settlements (BIS) solidified the international position of the ECU by agreeing to act as an agent for the new currency under most circumstances. As the Economist speculated, the

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[76] Times, 4 September 1985, p.17.; Lawson, View from No.11, pp.483-508.; Daily Telegraph, 23 September 1985, p.4.
[77] Lawson, View from No.11, pp.488-9,494-500.

move by the BIS to pave the way for greater use of the ECU was most "interestingly timed", given that the previous arrangements for the EMS and the ECU had lasted six years.

Santer, known to favour strengthened cooperation and even monetary union, had duly used the Presidency's prerogative to add a debate on the EMS to EcoFin's agenda at the last minute. Though Lord Cockfield argued only for reducing fiscal barriers to trade as planned, Delors raised the issue of monetary cooperation.[78] While the continuing British debate on the ERM - both inside and outside Cabinet - fuelled speculation, EcoFin's September meeting probably disappointed the Commission and Presidency. Shortly before EcoFin met, Belgium's prime minister conveniently declared that monetary affairs were crucial to the IGC, echoing the Commission's 'pedestal', and called formally for a proposal. But when Delors offered to provide such a proposal, both Germany's finance minister and the UK's Chancellor resisted the move.

For Lawson, the EcoFin meeting had come too soon: his hearing in Downing Street was scheduled several days later. The Chancellor presumably did not want to prejudice his chances by allowing the economic case for ERM entry to become embroiled in theological debates over EMU. Allowing more time for consideration, the Luxembourg Presidency unexpectedly proposed that the Commission submit its proposal to the next meeting of EcoFin. This was doubly surprising because the next meeting was not until 18 November (ie after the deadline for IGC proposals), and EcoFin would thereby become the only example of a sectoral Council formally

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[78] Times, 28 September 1985, p.1.; Economist, 21 September 1985, p.62.; Daily Telegraph, 23 September 1985, p.4.; Agence Europe, 20 September 1985, p.5.

involved in the IGC.[79]. The monetary issue was clearly receiving special treatment.

At the sub-committee seminar only days later, Thatcher found herself isolated in opposing entry, "with the Treasury and the Bank both now solidly ranged against her on the issue, supported by the Foreign Office". Divisions within the core executive over the ERM had shifted since 1981 and, at the seminar, it appeared that they were about to enter the realm of personal politics. Thatcher duly used the chair's privilege of ending the meeting without a formal decision, delaying judgment until a later meeting, with wider ministerial representation, scheduled for November. This appeared to be little more than a delay, since the majority of the core executive now accepted ERM entry.[80]

This case study suggests that a strictly 'inter-governmental' analysis of policy-making cannot capture the full complexity of the national decision-making process and the intra-Community lines of communication. On the question of monetary cooperation, a unitary 'British' position simply did not exist, partly because the core executive was sharply divided internally. Ripples from the intragovernmental debate, transmitted by media and markets, appear in turn to have influenced those organising the IGC. With the prospect of sterling finally joining the exchange rate mechanism, the Presidency and Commission cooperated with EcoFin's (and, no doubt, Lawson's) wishes and agreed to delay the submission of their proposal on monetary cooperation to the IGC.

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[79] Agence Europe, 23/24 September 1985, p.5.
[80] Lawson, View from No.11, p.496.

Howe's new package

As the two sections above reveal, the origins of proposals shed doubt on strictly intergovernmental analysis: this is also the case with the strategy of issue linkage. In early October, Howe pitched a new package at the IGC, based on a well-balanced, low-common-denominator compromise among the ten national positions. Despite an earlier commitment to "consider whether to put forward any further ideas", Howe had submitted no new texts after Milan: instead, the British approach was to critique others' proposals. Following traditional conference diplomacy, there was evidence of thorough and "patient preparation" behind the British deal, carefully balancing the concerns of all the participants in a constructive package.[81] Besides fulfilling the lowest-common-denominator criterion, the minimalist UK position seemed justified by the turn of events since the IGC had started.

With the deadline for proposals less than two weeks away and only seven draft proposals on the table, the conference had revealed "none of the political excitement or daring-do of the Milan summit". Reactions to the German scheme to strengthen the EP demonstrated both a "relative loss of enthusiasm" and the "backsliding going on in the other EEC capitals". Almost one third of the way through the conference, most commentators were "sceptical about the chances of reforms" at all.[82] Nor had the recent arrival of

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[81] Hansard, vol.83 (24 July 1985), col.1030.; Dickie, Inside the FCO, p.131.
[82] Irish Times, 19 October 1985, p.7.; Daily Telegraph, 21 October 1985, p.4.

another three papers from Delors, covering 'economic and social cohesion', culture and the Commission itself, transformed the conference's dynamics. Moreover, neither Mitterrand who had requested the two *ad hoc* Committees at Fontainebleau nor Craxi who called the vote at Milan had submitted proposals to the conference. Though the former usually played a "leading, pro-Community role", his present "ability to dominate the European scene may now be diminishing", especially after the "recent weakening" of the Paris-Bonn axis at the G-7 summit. By default, the British Government appeared willing, and uniquely able, to lead the Community.[83]

Howe's new package stressed three aspects on which a consensus appeared most likely. In contrast to institutional debates, particularly on the Parliament, all governments had shown an interest in the internal market, technology policy and a treaty for EPC. More important than the sectoral reform was the Foreign Secretary's admission that the Treaty of Rome was not "immutable". In short, the Government might now accept treaty revision, and even the extension of majority-voting, to achieve these three ends. Howe had now admitted a need to improve the Community's operation. Though rejecting parts of Delors' pedestal, Howe was in effect accepting the Presidency's linkage between sectors and institutions.[84]

After a working dinner of EC foreign ministers at the United Nations in New York, Howe first intimated that the Government might be willing to step beyond its original

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[83] Ibid., 21 October p.4.; Times, 1 October 1985, p.11.
[84] Times, 4 October, p.5.; Agence Europe, 5 October 1985, p.4.

policy position, as expressed in 1984's Europe—the Future. A week later, Howe duly addressed a continental audience in Bad Godesberg and announced the upgrading of the British offer.[85] In both instances, the Foreign Secretary addressed Community players out of earshot of most British arenas, using the opportunity of overseas visits to shift the Government's position. Though not widely publicised in the UK, the significance of Howe's speech was understood by policy—making audiences in other member states.

While more adventurous in substance than Europe—the Future, Howe's new package was also subtly more positive in rhetoric. In addition to accepting the commitment to an "organic process of 'ever closer union'", Howe appealed to the original Treaties and wisdom of the EC's 'Founding Fathers'. He congratulated the latter on their foresight in creating such a liberal, free-trade document. As the Treaty's original aims were sufficient, he implied the conference would not therefore need to change much. Judging from the new rhetoric, part of the 'patient preparation' for the package was a close re—reading of the Treaty of Rome. The shift in rhetoric was still important. Through incantation of the EC's litany of 'union', Howe placed the British Government firmly within the same theological frame of reference as other member governments.[86]

As a former British Commissioner once remarked, rhetoric "has a vital role to play in all political systems", especially multinational ones "lacking the cohesion of a

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[85] Agence Europe, 25 September 1985, p.3.; Times, 4 October 1985, p.5.; Agence Europe, 5 October 1985, p.4.
[86] Daily Telegraph, 4 October 1985, p.4.; Times, 4 October 1985, p.5.; Agence Europe, 5 October 1985, p.4.

nation state". The shift to *communautaire* rhetoric allowed the Foreign Secretary to pursue British policies within, rather than outside, the Community's dominant discourse.[87]

Having weighed the positions of the member governments, Howe appeared to have discovered a point of balance within the conference. Stepping into the middle-ground 'vacuum' left by the indecisive Paris–Bonn axis, he presented a package requiring only a little movement from the three backmarkers, namely the minimalist governments of Denmark, Greece and (on security) Ireland. In contrast, it would need considerable concessions from the maximalist Benelux trio and from Italy, but in return the Luxembourg European Council could have two modest but sensible treaties before it.

The Foreign Secretary was therefore willing to settle slightly above the lowest–common–denominator as originally presented, and distance himself from the other minimalists. Playing the constructive role within the IGC as promised, he now accepted more instances of majority–voting in the Council and increased executive competences for the Commission, in return for the EPC treaty, completion of the internal market and an EC technology competence. In short, not the threat of exclusion but the hope of securing a limited deal led the British Government to propose an outcome it had not originally preferred to the *status quo*.

If the nature of bargaining within the intergovernmental conference had been that of the lowest–common–denominator, then the participating governments would probably have accepted Howe's package in early–October. The only obvious issue missing from the new package, and it had been missing

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[87] Christopher Tugendhat, Making Sense of Europe, (London, 1983). p.22.

from both Europe—the Future and the Howe plan, was what Delors had recently coined 'cohesion'. The confident presentation of a minimalist offer, with so little time before the deadline for proposals, did not however bring the negotiations to a close. With hindsight, it is clear that the final SEA package represented a considerable improvement on even the new British position. This was in part due to the final stage of bargaining, led mostly by the Presidency, but also due to a last flurry of activity before the mid—October deadline which transformed the agenda.

The 'torrent of paper'

In spite of, or perhaps due to, Howe's new minimalist package, a "torrent of paper" cascaded onto the conference table in the last forty—eight hours before the deadline. Seven of the ten member governments unexpectedly delivered a total of twenty submissions, almost tripling the number for consideration.[88] These came not only from Mitterrand, Craxi and two of the Benelux Governments, but even the minimalist Governments of Greece and Denmark. Together, they swamped the Commission's seven linked issues and Howe's new package. The chapter will now consider why these governments chose to add to the pile so close to the deadline, and how the 'torrent' transformed the conference's agenda.

For several Christian Democrat governments, a second call from the EPPG was apparently a factor. Within the European Parliament, all major party groups had expressed their dissatisfaction with the emerging deal. The Socialist Group

[88] Guardian, 22 October 1985, p.10.; Agence Europe, 16 October 1985, pp.3—3bis.

decried the omission of references to the draft TEU, but was apparently unable to seize the political initiative, while the Institutional Affairs Committee simply assigned its members to observe the IGC process and ultimately report how far short of their own dTEU it was falling. The UK-dominated European Democratic Group stressed the importance of a clear institutional framework in a single treaty, with precise decision-making rules, rather than simple gentleman's agreements. Fred Catherwood's call for treaty revision revealed that Toryism, at least in its European guise, was not by nature antithetical to all formal integration. His stand, however, does not appear to have swayed Thatcher.[89]

Especially displeased with the lowest-common-denominator bargaining was the EPPG. At a meeting of its Political Bureau, Bukman explicitly rejected the emerging package and set in motion two processes. First, he called a full EPP conference for November and, second, he appealed directly to the national governments within the EPP network. The conference was intended to mobilise the EPP's transnational network of heads of government, Commissioners, MEPs and national parliamentarians to boost the maximalist cause within the IGC. As with all meetings of the EPP, neither the minimalist British Government nor its Conservatives in the EP would be privy to these deliberations. As such, the EPP conference would be able to adopt a common denominator higher than the one emerging in the IGC itself.

In support of Bukman's second appeal, the EPPG collected the signatures of 178 MEPs in favour of an emergency resolution, despite the EP Bureau's "fierce opposition". The

[89] Corbett, "The 1985 IGC", p.243.; Agence Europe, 14/5 October 1985, p.6.; 11 October 1985, pp.3-4.

motion, backed by Klepsch, Croux, and Herman, compared the backwardness of the IGC with the Dooge Report. It called on sympathetic member governments to honour their commitments and upgrade the emerging compromise. Although Bonn appears (again) to have been the major target for MEP lobbying, especially with the EPPG's large number of West German members, the generally strong links between the EPPG and national Christian Democrats appear to have influenced the Governments in Rome, Brussels and The Hague too.[90]

Unexpectedly and within days of the emergency resolution, at least four new proposals arrived from maximalist, Christian Democrat governments on the EPP net. Tindemans had already confessed that the creation of a "complete political union" would not be possible in this IGC, though it remained a "final objective". As such, he advised the maximalists to set achievable tasks as there would be "a number of years of such differences ahead". The Belgian text on human rights might have been lifted directly from the Dooge Report itself, while both proposals from the Dutch Government on development policy and culture were close to positions it had advanced in the Dooge Committee. Despite their self– denying ordinances in favour of Commission proposals, both the Belgian and Dutch Governments had made unexpected, last minute proposals. Even if the EPPG request merely caused sympathetic governments to submit proposals in line with existing policy preferences, the chronology suggests the transnational Group influenced the timing and presentation of these interventions.[91]

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[90] Agence Europe, 9 October 1985, p.3.; interviews with Herman, Tindemans and van Eekelen.
[91] Interview with van Eekelen and Tindemans; Agence Europe, 27 September 1985, p.4.

The proposals from pro-Community Christian Democrat governments were not the only ones to reach the conference table. The Irish Government also expressed dissatisfaction with the Commission's proposal on cohesion and produced a text to fit Delors' pedestal as a flanking policy to the internal market. FitzGerald later inextricably identified the "concept of cohesion as part of the process of moving towards a single market": this linkage therefore became the "biggest concern" for his Government. When his foreign minister "formally tabled draft treaty changes", he added the issue of cohesion to all the EC's common policies, instead of requesting a commitment to transfers.[92]

Though Andreotti was probably susceptible to EPP influence, the government in Rome had other direct links to the EP, such as through the federalist Spinelli. The Italian Government, having criticised the West German proposal on the European Parliament, therefore introduced its own plans, based on both the EP's dTEU and Dooge Report. Following the Presidency's linkage, "full joint-decision" making would apply to ten articles concerned with the internal market. But allowing the EP to have three readings in which to influence the Council clearly failed the efficiency test. Even Agence Europe criticised the Rome Government for an IGC proposal that "wastes time".[93]

Of all member governments, the Greek one proved the most obviously interested in the side-bargains rather than the theological debates on the construction of Europe. In

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[92] Ibid., 2 October 1985, p.3.; FitzGerald, All in a Life, pp.597-8.; Irish Times, 22 October 1985, p.7.
[93] Italian document in Agence Europe, 14/15 October 1985, p.3.; 9 October 1985, p.3.; 16 October 1985, p.1.

contrast to the subtle Irish text, the Greek memorandum was an explicit linkage of all proposed reforms to satisfactory levels of cohesion transfers. As such, cohesion became more than a simple sidepayment, for it appeared to be the one issue on which Athens might use its article 236 veto.[94] Despite this implicit threat, the Greek proposal shared a common characteristic with the texts from the four pro-Community governments mentioned above: the proposal dovetailed into the framework established by the Presidency and Commission. Some aimed to upgrade the emerging compromise, others simply staked out specific interests, but they all conformed to the existing strategic package.

In contrast, the last two proposals challenged the structure of the Presidency-Commission bargain, as had Howe's low-common-denominator package. The French bargain was simply intended to recast the debate. Laying the foundations for the move to European Union and shifting the debate away from the Commission's 'pedestal' linkage, the package of four French texts watered down the internal market provisions, relegating the 1992 project to a vague 'act of conference', and introducing majority voting on only the two articles discussed at Milan. While offering less developed states better coordination of (but no more money from) the structural funds, the Mitterrand Government held out the least generous deal for the Parliament so far.[95]

The importance of Mitterrand's initiative lay partly in Kohl's recent visit to West Berlin. As the West German Chancellor had no formal right to visit this former capital

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[94] Ibid., 21/22 October 1985, p.4.
[95] French texts in Agence Europe, 17 October 1985, pp.3-4.

without the consent of one of the three western occupiers, the French President had invited him. This offer was of symbolic importance, marking a "renewed Mitterrand–Kohl intimacy" following five "months of discord".[96] Though this *rapprochement* did not immediately produce joint proposals, it apparently underpinned French initiatives in the second half of the IGC.

The second challenge to the Commission–Presidency strategic linkage came surprisingly from the minimalist Danish Government, whose eight proposals contained the seeds of a new deal. The primary aim was to widen the EC's competences in line with the Dooge Report, instead of institutional 'deepening' through treaty revision.[97] After extensive cross–party consultation, the Danish Government drafted a list of policy areas acceptable to the Folketing's members, including an intrusive proposal that the Council monitor levels of unemployment in all member states. Overall, the Danish contributions were to widen significantly the IGC's scope.

Of all the submissions, the most important from the British perspective were those from the Danish, Greek and Irish Governments. At the last moment before the deadline, the three most reticent states had moved closer to the mainstream of the conference by outlining their upgraded settlement areas. As such, they left the UK once again as the IGC's backmarker and therefore dangerously exposed. Close behind their proposals came the French package: although modest, it was minimalist in the wrong places for the Thatcher Government, for example in its commitment to the internal

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[96] Times, 11 October 1985, p.12.
[97] Danish texts in Agence Europe, 18 October 1985, pp.3–4.

market. Moreover, it threatened to capture the middle ground just as the latest British proposals had been intended to do.

In addition to the formal positions of the national governments, the Commission had itself completed a strategy review at its Val Duchesse retreat. For the Commission, the game had clearly changed over the first month. Though its technology and environment proposals would survive intact, reservations on the internal market continued to obstruct consideration of other proposals: Delors clearly had to encourage log-rolling within this particular policy sector to achieve a swift deal. In addition to redrafting its existing texts, the Commission would also have to defend its pedestal - and the issue linkage behind it - against the recent Danish and French challenges. Last, several governments had already criticised the forthcoming paper on monetary affairs - the last corner of the pedestal to which Delors was so attached - even before it had been submitted.

The critical deal still lay with a compromise between the free marketeers and the institutionalists, even though the Luxembourg Presidency had mentioned proposals for transport, education, energy and youth policies, while the Commission had added reform of the EC's finances, and other member states had proposed human rights, social policy, unemployment and citizenship.[98] The objective for the Commission was therefore to moderate certain maximalist demands and ensure the successful linking of issues to upgrade the emerging package. The Presidency and Commission therefore refocused their efforts on securing a worthwhile package.

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[98] Many of these would resurface in the 1991 IGC leading to the Maastricht European Council.

A review at the half-way point

Even as David Hannay, the UK's new Permanent Representative flew to London for his first Friday meeting in Whitehall (shortly after the deadline for proposals had closed), the nature of the IGC was subtly changing.[99] No sooner had the Foreign Secretary placed the British Government firmly in the mainstream with his early-October speech than the ground started to shift again. This was partly the result of key governments altering their stances, but also the efforts of the EPPG which appears to have persuaded several governments to upgrade their proposals. Since the previous coordination meeting in Whitehall, the number of proposals on the table had almost tripled.

Several texts which the British Government had welcomed, for example technology, appeared to have been swamped by a flood of less desirable proposals. Several of the new texts pointed towards the creation of a European polity with concerns in culture, human rights and citizens' voting rights, while Danish texts on social policy and monitoring unemployment levels ran counter to Thatcherite ideology on economic policy. Most worrying was that these developments left the British Government more exposed within the IGC. Parallel negotiations on EPC, however, were progressing in a more acceptable manner. The British Political Director had successfully whittled down the accretions to the original Howe Plan and avoided a commitment to a CFSP. The Political Committee had understandably left several related issues for consideration by political superiors; for example the

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[99] Dickie, Inside the FCO, p.156.

creation of the 'European Union', the introduction of the European Council as the EPC coordinating body, and the nature of EPC's new secretariat.

The major hope in London was implicitly that with so many proposals on the table, it would become harder to construct a maximalist or even coherent package. Some already feared the "whole process [was] in severe danger of grinding to a halt", despite foreign ministers trying "to breathe new life into potentially dramatic reforms". This would oblige the conference to accept the simplest compromise of some majority voting for the internal market, coupled with codification of EPC. The Luxembourg Presidency, however, hoped the next ministerial meeting would "cut through some of the verbiage" and bring order to the "torrent of paper".[100]

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[100] Guardian, 22 October 1985, p.10.

Chapter Six

Packaging the Single Act

At the IGC's half way point, the tightly-drawn package which became the Single Act was still only barely discernible amidst the array of proposals on the table. The torrent of paper shortly before the deadline had swamped the Presidency's efforts to promote a framework. Meeting for only their second time, foreign ministers had before them thirty unconnected proposals, every one of which had incurred at least one national reserve. Clearly, the Act was far from being "written during the first month of the inter-governmental conference".[1] The final chapter of the thesis will therefore describe how the IGC created the concise SEA package from this sea of papers.

At first sight, this final episode in the making of the SEA appears the most 'intergovernmental'. During the last six weeks of the conference, the key actors were indeed core executives, rather than EC institutions or transnational interest groups. Though the conference's process became that of limiting the scope of reform, the governments' behaviour and interaction were not strictly 'intergovernmental'. Moreover, within the remaining policy areas, the Presidency did not allow governments to settle for the 'lowest' possible compromise, nor the proposals to remain unconnected. Instead, assuming leadership from the Commission, the Luxembourg Government urged tactical log-rolling within policy areas to complement the grand strategy of issue

[1] Moravcsik, "Negotiating the SEA", p.61.; de Ruyt, L'Acte unique, pp.70-72.

linkage. In the final stage of the IGC, an upgrading of the reform package would therefore be much in evidence.

The specific forms of issue linkage, for which Moravcsik denied a role at all, soon became a major issue. The battles would not be over whether to accept linkages, but which ones to accept. By mid-October, there were already four distinct forms of issue linkage on the table. At the first ministers' meeting, both the Commission and Council Presidency had outlined their two, complementary forms of linkage. Delors' 'pedestal' was a four-cornered sectoral linkage, comprising the internal market, cohesion, a monetary capacity and high technology. The Presidency stressed the 'Dooge-link' between institutional reform and sectoral integration. Together, they represented complementary axes, charting a coherent base for reform. Neither of these, however, had won overt support beyond the Benelux Governments.

Three other governments explicitly challenged the joint Commission-Presidency strategic framework, each providing a credible but minimalist alternative. Despite suggestions that he might submit proposals to the IGC, Howe had not. In early-October, however, he had linked a subset of the proposed issue areas, outlining a low-common-denominator package for the conference. The British package was based on codification of EPC, sectoral linkage of the internal market with high technology, and the institutional concession of more majority voting to implement these two priority sectors.

In contrast, the recent Danish package suggested a broadening of the EC's competences, without the institutional deepening represented by the extension of majority voting. For a minimalist member government, the proposal to expand

Community competences to eight new areas was in itself remarkable. Surprisingly, the Danish text also included a commitment to adopting social policy legislation by majority vote. The Danish Government was therefore advocating *communautaire* solutions to achieve societal goals, but due to the strongly-held beliefs of the Social Democratic opposition, rather than the Government itself.

The last of the national linkages was that of the Mitterrand Government, whose package represented a minimalist imitation of the Commission-Presidency framework, but capped by the 'European Union'. While downgrading the internal market project and limiting the extension of majority-voting to only the two articles discussed at Milan, the French text offered both revision of the structural funds to those demanding cohesion and a slight improvement in the EP's role for the institutional maximalists. Whereas the British and Danish packages ignored the demands of certain groups, the French texts addressed the preferences of all member governments. As such, it probably represented the balance of argument within the IGC and certainly a **common** denominator.

Although two of the linkage proposals were minimal propositions, all three created strategic challenges to the Thatcher Government's policy preferences. From the British perspective, the French plan was too minimalist in that it downgraded both the internal market project and the 1992 deadline. In contrast, the existing Commission-Presidency linkage was too maximalist in its commitment to increase the EP's powers in parallel with any sectoral integration. The Danish proposal envisioned a wholesale expansion of EC competence to areas such as energy and human rights, while

committing the member governments to an extensive social policy. The UK therefore had to exploit its position in the mainstream of the IGC to defend its own variant of linkage.

Though not intended as strategic packages to recast the conference's debates, two other submissions in fact left the British Government more exposed than before. Since the vote at Milan on the IGC, Howe had escaped from the 'footnote' minimalists towards the mainstream. Recent Greek and Irish submissions, however, threatened to isolate the United Kingdom as the Community's backmarker once again. The Greek position was apparently most worrying as Papantoniou's universal suspicion of the Community had previously dampened the maximalists' aspirations.

A new Greek memorandum, however, indicated a willingness to accept much of the Presidency–Commission platform in return for sufficient cohesion transfers. Though representing only a small member state, the Greek Government's implicit threat to oppose any bargain which lacked a cohesion dimension was more plausible, due to Greece's potentially 'maverick' behaviour. Under the shadow of a credible Greek veto, cohesion constituted much more than a simple side–payment.

The Irish Government also declared cohesion its primary objective, but in a subtly different form. Whereas the Greek Government now sought financial transfers, FitzGerald "formally tabled draft treaty changes" to make cohesion and regional policy part of all EC common policies.[2] This linked Irish acceptance of proposed reforms to a general consideration of their impact on less developed regions. Within the internal market, for example, the Irish Government

[2] Irish Times, 21 October 1985, p.4.; Agence Europe 23 October 1985, p.4bis.

proposed a clause calling on the Commission to take into account the effort certain economies would have to sustain. In contrast to the Greek demand, such an approach could easily apply to the environment, high technology and social policy, assisting the less developed regions without demanding more financing from the net contributors.

Though the Irish proposal represented a more balanced and nuanced linkage than Papandreou's, both propositions were threats to the British strategy. By staking out their terms for a deal and establishing priorities, the two governments had revealed their settlement areas. In return for their requests, namely cohesion, they would be willing to accept almost of all the Commission–Presidency package. This divided the minimalists, threatening both the British and Danish Governments with isolation.

Despite these strategic challenges, the British Government enjoyed a number of tactical advantages within the enlarged agenda. Over most of the major issue areas, the Government appeared secure, either with the majority position or within small rejectionist coalitions. The discovery of coincidental interests where it mattered most suggested that the UK would be able to secure reforms at the minimalist end of the spectrum, if necessary wielding article 236's common accord to shape the bargain. The chapter will now consider these tactical advantages in the context of the IGC proposals.

The second ministerial meeting

With a virtual embarrassment of riches in terms of proposals, the Luxembourg Presidency hoped that the second

meeting of foreign ministers would "cut through some of the verbiage". By bringing order to the torrent of paper, the ministers could assist the Presidency by providing a clear set of conclusions. The structural imperative for the Luxembourg Government itself was to produce a consolidated text in the six weeks before its European Council. Due to the proposals' last-minute arrival, the Presidency placed all the texts on the agenda: the resulting debate was both confused and inconclusive, and the ministers failed to "breathe new life into [the] potentially dramatic reforms". Many in fact departed before the end of the meeting, "having done little more than underline their continuing differences".[3] The meeting therefore ended in disarray, failing to adopt the joint conclusions which the Presidency and deputy negotiators required to continue the talks.

Less than six weeks before the European Council, the conference had no conclusions, little sense of direction and no ministerial meeting until 11 November. The prospects for a bargain above a ruthlessly minimal deal appeared "slight", thereby strengthening the case for adopting one of the three modest national linkages. Even Commission officials, increasingly "sceptical about the chances of reforms" at all, suffered a "relative loss of enthusiasm" about the process.[4] For the minimalist governments, their initial opposition to a conference appeared justified. For Luxembourg, however, the second ministerial meeting was a disappointment: the Presidency alone would have to bring order to the thirty texts on the table.

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[3] Guardian, 22 October 1985, p.10.; 23 October 1985, p.8.
[4] Irish Times, 23 October 1985, p.5.; Daily Telegraph, 21 October 1985, p.4.

These proposals covered fourteen subjects, ranging from citizen voting rights to the internal market and all sharing only one common characteristic: each had at least one national reserve against it. In mid-October, only eight of the fourteen issue areas had the support of even half the member governments: these were the internal market, a monetary capacity, cohesion, social policy, high technology, environment, and the powers of the European Parliament and Commission. Six weeks later, however, the governments struck a bargain based on, but not limited to, all eight. Before studying how the Presidency crafted the bargain, this chapter will examine the eight issue areas and their key features.

The most important issue was the internal market, around which all others revolved. The market was also the most complex, encompassing four distinct but interrelated aspects: they were the definition of the market, the status of the 1992 deadline, the market's scope in terms of treaty articles and extent of majority voting. Though Lord Cockfield had listed the necessary secondary legislation and set a schedule, the white paper did not provide the means for completing the market. The four issues which the conference debated met this need.

The definition of the market was surprisingly causing severe problems, as the Commission had described it as an 'area without frontiers'. The debate represented more than "casting about for catchy definitions", for the challenge of 'area' lay in its intended impact on national frontiers.[5] Whereas free trade, for example under GATT, does not require the removal of national borders, the Commission's vision of

[5] Economist, 26 October 1985, p.67.

the market would entail the elimination of all ten internal frontiers. This clearly owed more to the Kangaroo Group's conception of an economic area than Thatcher's view of trade liberalisation. For some EC member states, this was the codification of existing practices as they were already reducing their frontier restrictions through the Schengen agreement. The British Government wished to retain its controls, which were easily managed at ports and airports, rather than lengthy international borders. The ability to retain effective controls underlay the desire to do so.

While the two island states shared a common concern over their mutual border, the British Government was supported in its opposition to Lord Cockfield's 'area' definition by the French and German Governments. If the IGC's results were tied to "the relative power each [government] brings to Brussels", then the opposition of the three largest member governments should have consigned the Commission's term to an ignominious defeat.[6] On this issue at least, the British Government could assume that it was secure from the definition proposed by the senior British Commissioner.

The second market consideration lay in the status of the 1992 deadline. Almost a year earlier, both Lord Cockfield and Wisse Dekker had advocated the adoption of specific dates to provide the necessary discipline for the liberalisation project.[7] During 1985, the chosen date had acquired a symbolic and political importance, which the European Council had endorsed at Milan: Lord Cockfield's proposal simply added legal backing to the political deadline. In response, the

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[6] Moravcsik, "Negotiating the SEA", p.75.

[7] Lord Cockfield's white paper drafted in early-1985, and Dekker's Europe 1990.

French package had weakened any commitment to 1992 at all, recommending that it remain merely a political aspiration.

Though anxious to retain the commitment to the 1992 deadline, the British Government was wary of the legal implications behind treaty references. With Lord Cockfield's proposal, a citizen of a member state would be able to sue his or her government for failure to implement all provisions of the internal market by 1 January 1993. Given the robust legal structure of the Community and the ECJ's track record, such legal suits could prove politically embarrassing. Though Lord Cockfield would not be swayed, several other governments agreed with the British position.

The last market considerations were inextricably linked. As the Milan European Council had provided the mandate for the internal market, the IGC had to provide the means to implement it. Lord Cockfield had identified the Treaty of Rome articles under which the governments would have to take the three hundred white paper decisions. Following the Presidency's institutional–sectoral linkage, he proposed certain articles be revised to require only majority voting instead of unanimity. This involved two integrative steps: first, the conference had to agree which articles were internal market priorities, and then whether to revise each one's decision–making rule. Though Lord Cockfield originally proposed a global approach, he later listed ten priority articles, under pressure from the member governments.[8] Even though they had accepted the white paper, the member governments subsequently raised a bewildering array of 'vital national interests' in objection to each of Lord Cockfield's

[8] Lord Cockfield's ten 'priorities' were EC articles 28, 51, 56, 57, 59, 70, 84, 99, 100 and 235, as explained below.

ten articles. Collectively these threatened to undermine the unity, and therefore economic impact, of the internal market.

In negotiating economic liberalisation, governments usually wish to defend certain sectoral interests: bargaining over the internal market was no different. The Italian and French Governments, for example, had immediate reservations over the liberalisation of capital (article 70), the latter also expressed concerns about liberalisation of air transport (article 84), while the Irish Government wished to protect its insurance industry from the liberalisation of services (article 59). Over mutual recognition of professional qualifications (article 57), opposition came from the German Government which wished to defend its unique domestic arrangements. In each of these instances, the British Government desired liberalisation and therefore had an interest in designating the articles as 'priorities', if not actually revising them for majority-voting.

Over the harmonisation of indirect taxation (article 99), to which Lord Cockfield was especially attached, both the British and German Governments expressed concern: the French Government in contrast welcomed it as a priority. With allies, the British Government also opposed proposals to declare social security rights and other interests of the self-employed (articles 51 and 56) as priorities. Over the three proposals which the Thatcher Government resisted, it therefore found itself in a loose, 'rejectionist' alliance resisting Lord Cockfield's priorities.

Of the remaining propositions, article 28 on the common external tariff was generally accepted as a corollary of the internal market, while article 235 was regarded as redundant

in the light of the last proposal, article 100. As the means for approximating all provisions which "directly affect the establishment or functioning of the common market", article 100 was the key to market liberalisation. For the 1992-project, it would permit the Commission to propose directives on almost any issue not covered by the preceding seven articles, so long as it fell within the definition of the 'internal market' (hence the importance of the definition). As Lord Cockfield had described the latter as an 'area without frontiers', the impact of making article 100 a priority under majority voting was potentially enormous.

The British Government expressed its opposition to amending article 100 as a threat to national regimes protecting plant and animal health. It therefore shared a concern with the Irish over the approximation of national standards, which both maintained as border checks. This alignment coincided exactly with the island governments' joint opposition to the abolition of national frontiers. British and Irish concerns were paralleled by the anxieties of the German and Danish Governments over the approximation policy's threat to their higher national levels of environmental protection.

Given the extent of opposition to Lord Cockfield's plans, the French proposal, with its two articles and downgrading of the 1992 deadline ,seemed the most likely solution. Each of the ten priority articles faced opposition from at least one government: this meant that, even if an article were designated a priority, retention of the unanimity rule would allow the protesting government to block agreement. The range of specific national concerns did not bode well for the completion of the internal market by 1992.

The second policy area was the monetary capacity to which Delors had referred. Even though he had not yet submitted a proposal, certain member governments were already expressing their opposition. Chief among these were the British and German Governments which were prepared to resist the Commission's plans, whether they called simply for the codification of existing EMS arrangements or a qualitative leap to a common currency. Though the monetary issue had caused some difficulties within the Dooge Committee, Rifkind had had to accept references to both the EMS and ECU. At the other end of the spectrum, however, the Belgian and Italian Governments wished to fulfill the 1972 commitment to the creation of EMU, even though the latter had not yet even liberalised its capital controls.

Despite the overt opposition of two important member governments, Delors restated his commitment to a treaty-based monetary capacity as part of his pedestal. As the French finance minister who had steered the Mitterrand Government through its stormy relations with the ERM, Delors demonstrated a strong personal commitment to the system. However, the resolution of the Commission President would probably be insufficient to overcome the combined Anglo-German opposition resisting even codification of the EMS.

Cohesion, the term which Delors coined at the first ministerial meeting, was the third policy area. As each of the member governments tolerated such a policy nationally to assist certain regions and offset economic shifts, the Commission proposal simply sought to extend the practice to the Community level. Though the Presidency did not specify whether it defined cohesion as the financial transfers

demanded by the Greek Government or 'consideration' clauses requested by FitzGerald, it placed the issue firmly on the conference's agenda.

Concern over cohesion came primarily from the net contributors, the German and British Governments. With the Community's impending enlargement, however, even the French Government would become responsible for increased expenditure as a result of the Fontainebleau deal. As Spain and Portugal would only increase the demands on the structural funds, the net contributors' structural interest was to oppose the Commission proposal. This was particularly acute for the British core executive, which had provoked a minor revolt in the Commons over its EC Finance Bill. Against the combined opposition of the three largest governments, the Greco-Irish request for cohesion should have had little hope.

The Presidency's fourth issue area was social policy: as submitted by the Danish Government, this included concern for standards in the work place and for Community-wide levels of unemployment. The Presidency had informally broached more moderate proposals with the member governments, but none had shown interest, not even the Socialist French Government or Commission President. In fact, the source of the two Danish proposals was not a government at the IGC at all, but the Folketing's opposition parties. Their leaders obliged the Danish executive to table the measures on their behalf, as part of the Danish eight-point package. Of the latter's most contentious proposals, the Luxembourg Presidency retained only the two regarding social policy.

Despite the earlier reticence of member governments towards social policy, only Thatcher explicitly opposed the inclusion

of the Danish texts. Given the Conservatives' long-standing resistance to legislation in this area, such as the Vredeling Directive, this was not unexpected. EC social policy was anathema to both neo-liberal economic doctrine in the UK and to the Conservative party's anti-Marketeer backbenchers: public criticism of the Commission proposal therefore served a double purpose. In contrast to the studied 'pragmatism' which typified its approach, the British Government criticised the proposal on principle, namely as unnecessary interference in the market. With the majority's indifferent reception to the texts, the vehemence of the British Government would probably prove sufficient to block such a proposal from a smaller state.

The fifth and sixth policy areas were less contentious as they resulted from accepted patterns of informal integration, neither of which the conference had discussed at length. Of the two, the British Government expressed much greater interest in high technology, which Howe had included in his recent package. The one potential area of disagreement would be the system of funding, but as British companies appeared to be in the vanguard of the programmes and the rebate system would soon be in operation, the Government could expect to be a net beneficiary from any EC expenditure in the field.

The British Government could also accept environmental policy, although (like the Commission) it did not regard it as a priority. It saw codification as desirable, but would resist any further integrative steps, such as the introduction of majority voting. The German and Danish Governments, however, attached great importance to establishing a rigourous and universal environmental policy.

Over the internal market, they had already expressed the need to protect their high national standards.

The final two issues were institutional, rather than sectoral, ones. Whereas the Council's use of qualified majority could be directly linked to sectoral reform, eg completion of the market, the need for reforms to strengthen the European Parliament and Commission was less obvious. The EP in particular represented a symbolic question for both maximalists and minimalists. Unfortunately for the British Government, such constitutional questions were not easily handled with a 'pragmatic' approach. At one end of the spectrum, both the British and Danish Governments opposed any empowering of the EP, the former from an essentially practical stance and the latter explicitly on principle. As the IGC's Milan mandate dictated an improvement of the EP's role, they reluctantly accepted the extension of its right to consultation. Though EP Opinions carried little weight, even this concession marked a shift for the two as they had claimed such reform was neither necessary nor acceptable.

At the other end of the spectrum, the German, Belgian and Italian Governments were wholeheartedly committed to improving the European Parliament's position among the EC institutions. For them, the Anglo–Danish concession on consultation was insufficient compared to the proposed cooperation procedure, let alone full co–decision to which the Italian Government had committed itself. This represented the first evidence of a maximalist 'rejection group', attempting to raise the negotiations' common denominator with threats to reject the whole process if it did not go far enough.

The maximalist wing from the Dooge Committee and Milan, however, had not held together well. Despite Mitterrand's rhetoric before the Parliament in May 1984, the French Government was now proving more reticent about the EP's powers. The British and Danish Governments therefore appeared slightly more secure in their opposition than their earlier 'footnote' status might have suggested. In fact, the rhetoric of the Italian Government led to "much wry speculation" in London that those, who "started as architects of the Inter-governmental Conference, may in the end be forced to demolish it" as insufficiently far-reaching.[9] This was indeed a risk of the maximalists' rejection threat, and was one more factor in the calculations that all had to make.

As mentioned above, one weakness in the British position lay in the reliance upon apparently practical, 'pragmatic' concerns, rather than explicitly principled opposition. Whereas the Danish representative made a case against the EP in terms of the Folketing's prerogative rights and the unitary nature of sovereignty, the British argument rested on concern over the efficiency of decision-making. The UK's unwillingness to discuss underlying principles, such as the EP's place in the developing Community, would prove a serious weakness in the 'pragmatic' approach. By claiming that 'co-decision-making' might be a recipe for 'no-decision-making', the British Government left a gap in its defences which creative maximalist draughtsmen could exploit. Moreover, the reluctance to contest first principles was compounded by a linked failure to present a coherent but alternative vision of the Community's development.

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[9] Guardian, 23 October 1985, p.8.

Coupled with the EP but less contentious was the eighth and last issue area, the European Commission. The two proposed reforms corresponded to the efficient and dignified aspects of an executive. The first concerned the Commission's prerogatives to execute common policies agreed by the Council, in particular the extent to which committees of national experts would 'assist' such execution. As the internal market project would involve a rapid expansion of executive responsibilities, the Commission had an interest in securing a commitment to revise the cumbersome system of comitology.

While member governments accepted such executive powers as the corollary of sectoral integration, several opposed the increasingly dignified aspects of the Commission's role. The pro-Community Dutch Government had proposed the codification of the 'investiture' procedure which Delors had pioneered in January 1985. The institutional logic was that, if the EP could dismiss the Commission, it should also be able to invest the College, if not participate in the selection of its President and/or members. As such behaviour smacked of national political practices, the maximalists naturally supported, and minimalists opposed, the quasi-constitutional suggestion.

None of these issue areas, even though the Presidency had reduced their number to eight, enjoyed unanimous support and they remained an unconnected group. Had governments been able to block individual issues they did not like, then the conference would have had only environmental and technology policies to consider. Understanding the nature of Community bargaining, however, the Presidency retained a majority of

the issue areas from the 'torrent of paper'. Even then two important topics which had troubled member governments in recent years were not on the list. The first was creation of the 'European Union', which Mitterrand had restored to the agenda with the recent French package. In the Franco-German draft treaty, the Union had been little more than a Fouchet-style political umbrella linking EPC with the EC. Within four months, however, it had evolved into a more substantive Union, with a commitment to economic cohesion and a realignment of the EC's institutional development.

The second missing item was EPC's codification, and its possible link with the revised Treaty of Rome. Though time had eroded many theological divisions between EC and EPC affairs, numerous member governments were wary of increased links. At one end of the spectrum, the minimalists feared that the Community would infect EPC with its supra-nationality: at the other end, maximalists feared EPC would taint the Community with its intergovernmental method. As the Political Committee was handling the reform of EPC separately from the foreign ministers' deputies revision of the Rome Treaty, there was little possibility of issue linkage between the two. The foreign ministers left the Union question to heads of government.

From the British perspective, the conference still appeared manageable, despite the last minute flood of proposals. Within the internal market project, the Government was in the mainstream, sharing for example German and French concerns over the definition of the market as an 'area without frontiers'. In terms of the articles to be revised and the status of the 1992 deadline, the Government was clearly among

the majority shaping the terms of the bargain. On almost all issues it opposed, the Government found itself among allies. The exceptions were the two Danish proposals on social policy, which other member governments appeared willing to accept. The UK's room for manoeuvre was limited: this was not an area where Tory party ideologues would welcome reform.

Given the complexity of the issues, absence of joint conclusions and lack of time remaining, the UK Government must have felt confident that it could defend its preferences in the IGC's second phase. It also appeared largely free of domestic constraints, for even as the negotiations started in earnest, the attention of the British public and majority of the press was on the Government's Commonwealth policy. Instead of the Community policy which would in many ways have a greater impact on the UK's future, the nation beheld the familiar ritual of diplomacy in a more traditional circle.

Within the parliamentary arena itself, backbenchers were more interested in the EC Finances Bill, which the Whips had recently restored to the Commons. In the absence of a governmental paper on the IGC, the Bill provided the main textual focus for those following Community affairs, especially as neither Select Committee decided to investigate the conference.[10] Even if MPs had been interested in the IGC, the parliamentary timetable would have militated against their involvement. With only a week between their return from recess and the prorogation of Parliament, the MPs simply did not have time to follow complex developments in Brussels. Moreover, the Government did not go out of its way to draw attention to these issues.

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[10] Interview with Spearing.

The Presidency's strategy

The second ministerial meeting had ended in disarray. Using its Presidential prerogative, the Luxembourg Government drafted its own conference conclusions in the absence of a ministerial text. Without prejudging the issue linkages, the Presidency unilaterally dropped six subjects and retained the eight issue areas detailed above. Instead of bringing the conference to a halt, the inconclusive ministerial meeting in fact provided the Presidency and Council Secretariat's Task Force with an opportunity to take the lead and broker a deal.

If any governments hoped to undermine the IGC by failing to provide the necessary leadership, they would be disappointed by the Presidency's activism. Though retaining eight issue areas, the Presidency's first set of conclusions focused on three which it regarded as critical, namely the internal market, cohesion and the EP.[11] In retrospect, the strategy was to create a reform base acceptable to a majority of governments, on which the Presidency could construct a complete bargain. By linking key issue areas, it gradually introduced all eight topics over the course of three compromise texts in the last six weeks of the IGC.

Instead of indulging the minimalists on each issue, Presidency drafts lay closer to the mainstream of debate. The first text approached the internal market and cohesion in a more positive light than certain governments, for example Thatcher's, would have chosen. On market definition, for instance, the conclusions demanded "as positive a definition

[11] Conclusions in Agence Europe, 23 October 1985, p.3.

as possible", suggesting the 'area without frontiers' option despite overt opposition from the three large governments. It also called for the most extensive use of majority voting feasible, even though individual governments opposed all but one of the ten proposed 'priorities'. The lowest-common-denominator among governments would have limited both the definition of the internal market and its scope in terms of articles. The Presidency upgraded the whole package, even though this could not command unanimous support, because common accord was not yet strictly necessary.

Before the end of the IGC, however, the Presidency would have to achieve such unanimous accord through issue linkage and log-rolling. To facilitate this process, the Presidency divided governmental concerns between reserves over moving to QMV for general, structural reasons and those for specific, sectoral purposes. The less developed states had raised the former and the Presidency duly reaffirmed the Commission's commitment to a linked cohesion policy for the "harmonious development of the whole of the Community". It did not, however, specify the precise nature of the cohesion policy, whether financial transfers, consideration in other policies or a combination of the two. In return, however, the beneficiaries of cohesion would liberalise their economies without impeding completion of the internal market by QMV.

For governments demanding exemptions for more specific, sectoral reasons, the Presidency's log-rolling offered a degree of "differential treatment". Instead of retaining unanimity or risking appeals to the Luxembourg Compromise, the Presidency envisaged temporary derogations from majority decisions. No single government would therefore be able to

slow the progress of the market project, but, at the same time, no government would have to implement immediately policies with which it vehemently disagreed.

Although British ministers had repeatedly refused to revise the treaty to include the European Parliament more effectively within the Community's decision-making system, the Presidency nevertheless stressed the need for institutional cooperation. Whereas the Danish Government opposed change on principle, the French and British Governments were concerned (respectively) with the Council's right to the last word and efficiency of the decision-making system. Their practical concerns had already defeated the German and Commission proposals: so far the 'pragmatic' strategy appeared suitable. The challenge for the Presidency and Secretariat was therefore to create a system of cooperation which met these practical requirements, though it could not address Danish principled opposition. Such 'pragmatic' opposition on the part of the United Kingdom, arguing against empowering the EP on grounds of efficiency, left the Government potentially exposed to discovery of a cooperation procedure which met this specific criterion.

Although the Presidency conclusions were apparently an accurate reflection of the debate, they clearly also represented an 'upgrading' effort: they were not simply the lowest-common-denominator possible. But neither were they so partisan that the minimalist governments revolted. This is not to say that the British Government was pleased with the proposals. Had the Presidency been held by one of the more minimalist governments, such as Thatcher's, then the conclusions would have been much more modest. Equally, had

the Presidency been held by an explicitly maximalist government, such as Craxi's, then the conclusions would have been more audacious.[12]

Even though the Luxembourg Government was upgrading each policy area and denying the minimalists their lowest-common-denominator, the last six weeks of the IGC would prove extremely difficult. The Presidency therefore took the opportunity of the next MEP/ministerial audience to disabuse the supranational institution of the generous interpretation of its role, as propagated by Spinelli's IAC. The Presidency explained its mandate was to "bring the negotiations to a close at the European Council in December" and only then submit the final text to the EP.[13] The MEPs could examine and vote on the results, but the negotiations would not be re-opened. If the Presidency did somehow construct an acceptable deal, it did not wish the EP to interfere with the finely-balanced intergovernmental package.

The EP's response to this "crushing rebuff" was subtly different from the delegation's immediate fury. At the next plenary, the IAC and federalists, such as Spinelli, introduced a motion to obstruct the conference and veto any deal which did not closely resemble the EP's dTEU. More moderate, pro-Community reformers wished only to secure the best deal on offer. In support of the latter, the Commission President urged a moderate course. An informal alliance of the EPPG and EDG duly secured amendments to the IAC's extreme motion, blunting its criticism of the conference.[14] Though

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[12] Interview with Christoffersen.

[13] Agence Europe, 23 October 1985, p.3.

[14] Daily Telegraph, 23 October 1985, p.4.; Agence Europe, 24 October 1985, pp.3-5.; 25 October 1985, pp.3-4.

the role of the EP as an institution had indeed been curtailed, it did not mark the end of MEP influence or even the parrying of parliamentary pressure.

Presidency compromises

Having tested governmental positions with its conclusions and sidelined the EP, the Presidency carefully focused the agenda on six key issues.[15] In the interests of a package deal, it harnessed general acceptance of the internal market to link issues. Adapting Delors' pedestal, the Presidency balanced social policy, high technology and Commission responsibilities on the reform base of the market, alongside cohesion policy. Stepping beyond the three minimalist packages, the Presidency designed a document in which each government's acceptance of the internal market was linked to an interest in other parts of the package.

This compact, functional linkage subtly followed the Presidency's institutional–sectoral linkage. Whereas it had already persuaded the governments to consider Council majority voting as an integral part of the market project, it now built on that concession to broaden the executive capacities of the Commission. As the Council created common regimes by following the white paper's schedule, the Commission would acquire administrative responsibility for those fields. Once the Council took a decision, it could only reserve that policy area to its direct control by a vote of unanimity: this virtually guaranteed the extension of Commission competences.

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[15] Ibid., 31 October 1985, p.1.; 1 November 1985, p.3.

By linking the Commission to specific functions, the Presidency avoided an explicitly institutional confrontation. Reform of the Commission therefore relied directly on agreement over the internal market. Though the Presidency stood firm in favour of a 'frontierless' definition of the market and a legal application of the 1992 deadline, it was losing ground on the individual articles. Having dropped article 235 from consideration, the Presidency encountered opposition to the extension of majority voting to any articles except 28 on the market's external tariff. Such was Anglo-German resistance to tax harmonisation and Franco-Italian opposition to capital liberalisation, that neither appeared likely to be accepted, even as priorities, let alone under majority voting. The Presidency therefore recorded seven articles as market objectives, of which only article 28 was acceptable for majority voting.

Having revised and simplified the two Danish proposals on social policy, the Presidency linked them both explicitly to the internal market. The British Government rejected this linkage, denying that the monitoring of unemployment levels or provision of workers' rights were necessary for liberalising trade. Other governments were less concerned. But for the Danish Government, social policy was more important than a bargaining counter linked to Lord Cockfield's white paper: within the Folketing, it represented the essential *quid pro quo* of support from the opposition parties. Though the problems stemmed from deep-rooted and differing perceptions of the internal market, the Presidency had to find a way to reconcile British and Danish concerns.[16]

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[16] Ibid., 7 November 1985, p.5.

After cohesion, the last policy the Presidency attempted to link to the internal market was technology. Codification caused few problems, except over the Commission's coordinating role and funding. With agreement of the UK's rebate at Fontainebleau, the German Government would be increasingly responsible for any new Community expenditure. Over technology, the balance between the multiannual programme (decided by unanimity) and specific projects (decided by majority voting) was crucial. Unanimity allowed calculations of *juste retour* on each project: QMV risked spenders regularly outvoting net contributors. With its own treaty base, a common technology policy would allow smaller states to gain a greater share of the benefits than if the rewards were distributed by the market. As the Presidency had expected technology to be agreed relatively easily and to add to momentum in favour of a package, it was disappointed by German obstruction.[17]

Similarly, opposition to the Presidency's environmental proposal came largely from the German Government, backed by the Danish administration. Wishing to defend high levels of protection, both desired protection under article 100 which did not upset domestic arrangements. To this end, the German Government proposed a 'qualitative' veto in which Council members with higher environmental standards could block decisions otherwise acceptable to a majority. While expecting opposition from less developed states, the Presidency was upset to meet resistance from the Germans. As this policy could not easily be linked to the market, the pressure to compromise had to come from elsewhere.

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[17] De Ruyt, L'Acte unique, p.208.

The EP dossier suffered similar constraints, in that strengthening its position was not necessary to achieve a functional objective. In this instance, the Presidency had to meet the minimalists' particular criticisms. Its cooperation procedure stressed the importance of giving the EP real influence in the legislative process, while not hindering the decision-making system or upsetting the institutional balance (code for the Council's right to the last word and Commission's right of initiative). The introduction of a Council 'common position' and second EP reading marked a breakthrough in contrast to the conciliation procedure. Drawing on French ideas to link the Council's decision-making rule to the EP's vote, the Presidency introduced a formal procedure offering considerable influence to the EP, while protecting both Council and Commission prerogatives.

The Presidency, probably drawing on the Council Secretariat's knowledge of the Community, had thereby cut the 'Gordian knot' over the EP. Though neither the Italian (with its federalist MEP allies) nor Danish Governments would accept such a compromise, it met British and French 'practical' concerns at face value. Had the maximalists focused their efforts on improving the details of the offer, instead of pursuing co-decision, then they might have secured an even more far-reaching text at the outset. It had flaws, such as the lack of a deadline for the Council's second reading and a commitment that the Council would receive all the EP's amendments, but it was 'Yes-able' for a majority.

In summary, the Presidency's first compromise package attempted to find middle ground by linking six of the eight

remaining proposals. As such, it did not adopt the lowest-common-denominator position on each, but sought to upgrade them to create a credible package. Only by linking the issues, especially to the internal market, could the Presidency move the minimalist governments from their initial positions. Creative drafting and log-rolling within issue areas thereby met the specific governmental concerns. Principled resistance, such as that from the Danish Government over the EP, would ultimately have to be resolved by even more strategic issue linkage.

Though the British approach appeared to remain intact, it was subtly becoming more exposed. On the internal market, high technology, environment and Commission, the new texts were acceptable to the Thatcher Government. The cooperation procedure, however, had effectively bypassed the British 'pragmatic' defences to offer the EP legislative leverage. Given previous commitments to resisting any strengthening of the EP's position, the British Government cannot have welcomed the Presidency's proposal.

Two other texts weakened the British position further. The proposals for both cohesion and social policies were on the Presidency's agenda due to the efforts of the governments of three small states. The Greek and Irish Governments had declared cohesion a priority, choosing to play their article 236 veto on this issue. Though the Danish Government had been less explicit, the Presidency appeared to be acting as if it had deployed its reservation over the IGC to secure inclusion of the two social policy texts. Copenhagen's domestic party-politics and generally minimalist line certainly warranted this assumption.

The implications for British policy were important. Though neither policy area commanded majority support, the Presidency regarded them as necessary to bring these three small states into the deal. As such, cohesion and social policy would became more than side-payments, developing into essential issue linkages which other member governments would not be able to sever. Though the British Government wished to resist both policies and might even have deployed its veto against them, the Presidency's strategy rendered this option increasingly less viable.

Few member governments probably realised the extent to which the Presidency was following its strategy of issue linkage beneath the tactical struggles within each policy area. Though it is impossible to discover exactly how the discussion over each policy area progressed, insights are possible through close study of certain issues. Tactically and to maintain the momentum of its strategic issue linkage, the Presidency needed to get agreement on four key fields; technology, the environment, cohesion and the monetary capacity. This chapter will now suggest tentative conclusions about how agreement may have emerged in all four of these policy areas.

Technology and the environment

Although the Presidency had apparently expected these two issue areas to be the least contentious, no agreement had yet been forthcoming. Settlement of these policies, however, might have given the conference the momentum lacking since the bottleneck of mid-October. A deal over environmental

protection would be especially useful as both the Danish Government and Folketing's opposition parties attached considerable importance to it. Agreement on technology might also be an effective bargaining counter with the French and British Governments which had both stressed this policy area. On both, however, the German Government blocked progress due to its own policy preferences.

Before the third ministerial meeting, two important summits took place outside the IGC. At the forty-sixth Franco-German summit, Kohl and Mitterrand discussed both the EUREKA initiative's progress and reforms within the conference. Since the joint visit to Berlin, the Community's 'special relationship' had warmed considerably and the two heads had committed themselves to "joint proposals" for the conference. With hindsight, this probably included proposals to link the two tracks of reform and create the European Union: in the short term, however, the importance of the summit lay in discussions of technology. In a major *volte-face*, Mitterrand announced that his Government would join the European Fighter Aircraft (EFA, now the 'Eurofighter') programme which Kohl backed. The German Chancellor in turn expressed his warm support for the French-inspired EUREKA project. Together, they championed general technological collaboration and, though disagreeing over IGC priorities, agreed to codify two new policies, of which technology was the most important.[18]

The day after the Franco-German summit, the transnational EPP held its conference in Brussels, attended by four Christian Democrat premiers and two senior ministers for European affairs, "with the aim of elaborating a common

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[18] Agence Europe, 9 November 1985, p.3.

position" for their governments. The deliberations at the EPP summit also included leaders of national parties and the EPPG, all chaired by Bukman's supranational Bureau. The latter set as its main task the need to advance progress in the conference. In early October, Bukman had called the summit as the (then) lack of IGC proposals had started to worry the maximalists. By the time the rendezvous occurred, the main concern was to restore momentum amidst the torrent of proposals. Under Bukman's guidance, much of the EPP conference was apparently spent "on the matter of the German contribution" to the IGC. The EPP's concluding declaration stressed the immediate importance of both environment and technology within the conference.[19]

Shortly after the EPP's conference, the members of the European Democrat Group met, but no British minister attended. As a convenient political alliance, rather than transnational party, the EDG had no formal links with national conservative parliaments, parties or governments. Though the EDG's Tories openly criticised Thatcher's approach to the IGC, the British public and parliamentary arenas were still focused on the Queen's Speech to the Westminster parliament. Five days later, however, the Foreign Secretary unexpectedly visited the EDG in Strasbourg to discuss the conference. Certain members of the British core executive clearly attached some importance to the views of their fellow Conservatives in the EP, but the contrast with the EPP network remained stark.[20] As neither British ministers nor

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[19] Agence Europe,;4/5 November 1985, p.4.; 7 November 1985, p.5.; EPP Declaration in Ibid. 12/3 November 1985, pp.4–5.; interviews with Meenan, FitzGerald and Tindemans.

[20] Agence Europe, 9 November 1985, p.3.; 15 November 1985, p.3.; interview with Howe.

parliamentarians were privy to the two summits, developments at the IGC's third ministerial meeting took them by surprise.

At the third IGC meeting, the Presidency curiously placed only two items on the agenda, even though its latest compromise text attempted to link six issues. This tactical move may have puzzled those not party to the intervening deliberations. Given the failure of the last meeting to adopt conclusions, a breakthrough was needed to restore momentum. Having recently arrived back from the EPP conference, the Luxembourg Government strategically focused attention on the environment and technology alone. Inexplicably Genscher lifted the German 'qualitative' veto from the environmental document and proposed a means to overcome the obstacles to the text on technology.[21]

During the short third meeting, the German foreign minister also acknowledged that selective vetoes were not desirable. The Kohl Government thereby accepted the *communautaire* solution of relying on the Commission to take a high level of protection in its proposals. For technology policy, Genscher turned the proposal on the framework, funding and majority voting on its head. Reversing the Presidency's text to suggest majority decisions for the framework and unanimity for funding, the German minister demonstrated a new willingness to break the deadlock, while defending control over financial contributions.[22]

At the end of the meeting, the Presidency therefore had progress on the only two issues discussed. Given the previous failure to agree a single policy in its entirety,

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[21] Agence Europe, 12/3 November 1985, p.3.
[22] Ibid.

the movement on environment and technology represented a significant breakthrough. With only one more ministerial meeting scheduled before the European Council, the Luxembourg Government had deliberately excluded more contentious issue from the agenda and risked broad progress on all fronts for a deeper advance on two. The reward for the Presidency's tactic was a widened reform base, renewed momentum and two important bargaining counters for the last phase of the conference.

Economic and social cohesion

Several EC member governments deemed the Community - in contrast to global, trade regimes - partly responsible for the structural consequences of liberalisation. As the repercussions of the internal market project would be considerable, governments responsible for nations with weaker economies had an interest in stressing this consequence. The response of the Irish Government was to seek temporary derogations from the full force of the internal market, allowing the island's economy time to adapt. In contrast, the Greek Government couched its linkage in terms of financial transfers, which the net contributors opposed.

Since Papantoniou's clash with Ruhfus in the Dooge Committee over the meaning of 'convergence', the Commission President had furnished the Greek and Irish Governments with a *communautaire* concept for their request, namely 'cohesion'. Of Delors' pedestal, cohesion was the one issue submitted so far on which there had been no progress: the conference had not even accepted it in principle, let alone considered its

detail. The challenge for the Presidency was to reconcile policy preferences over cohesion. As with the cooperation procedure for the EP, the Secretariat's detailed knowledge of the Community assisted the Presidency with its task.

Having achieved breakthroughs on the environment and technology during the morning of the third meeting, the Luxembourg Government informally raised the issue of cohesion over lunch. Without officials or policy briefs, the ministers did in fact establish some common ground on cohesion. That credible reforms to achieve the internal market were emerging appears to have rendered the foreign ministers from wealthier member nations more responsive to their poorer partners. The credible Greek veto over the IGC's proceedings probably also focussed minds and, over lunch, the Presidency secured the first step, namely agreement that liberalisation and cohesion were indeed linked.

Reconciling the formal policy preferences of the two groups, however, would be far more difficult. Through its Social, Agricultural Guidance and Regional Funds, the Community already tried to offset unacceptable imbalances. However, the system relied essentially on national *juste retour* and the three funds were not coordinated. By rationalising the three structural funds and weakening the system of *retour*, the Presidency might meet the apparently contradictory requirements of increasing the financial assistance to Ireland and Greece, while not increasing the size of the funds.

As the financial gains would be limited, the Presidency also offered to those governments demanding cohesion greater

codification of the Regional Fund (which still rested on its 1972 mandate instead of an EC Treaty article) and creation of a cohesion policy chapter. Importantly, neither had budgetary implications, but both promised more to come from later struggles. One year after the revisions had entered into force, the Community would coordinate the structural funds, rationalise their targeting procedure and allow ERDF decisions to be taken by majority voting. In an explicit example of forward linkage, these governments could also look forward to a second round of benefits tied explicitly to acceptance of the market project.

Based on the foreign ministers' acceptance of the market-cohesion linkage, the Presidency had finally satisfied the most important elements of all the policy preferences. Only the Greek Government was not yet satisfied: it reformulated its claims as an absolute increase in the structural funds, rather than simply in Greek receipts. The Presidency had barely achieved a consensus on cohesion and was therefore not willing to re-open the issue: it apparently recorded the Greek concern and left the issue for the European Council.

Monetary capacity

Despite hostile reactions to Delors' earlier mention of a monetary capacity in his pedestal, he had by no means "dropped strong advocacy of monetary" reform. Though he might have wished to achieve more, he was apparently content to seek codification of the Monetary System and its integration into the Community's structure. To this end, Delors drafted a text on monetary cooperation for EcoFin to

consider at the end of September. The British Chancellor, joined by his German colleague, had surprisingly resisted even this moderate proposal, delaying the drafting of the final quarter of Delors' pedestal.[23]

For Lawson at least, the delay might have resulted in a substantial development in this sector, but it also meant the Presidency could not meet the mid-October deadline. On this one sector, the conference curiously permitted the involvement of a sectoral Council. At the end of October, having visited Kohl, Delors duly submitted his modest text on monetary cooperation to EcoFin. In it, he proposed bringing the EMS into the Treaty of Rome, mentioning the ECU as the System's "pillar" and outlining the future development of the European Monetary Cooperation Fund (EMCF).[24] Given unanimous acceptance of these elements in the Dooge Report, the Commission President had reason to expect consent to such a proposal.

The German finance minister duly nuanced his original opposition, as Delors' text mentioned neither EMU nor a European central bank, nor did it commit the governments to monetary integration. Perhaps as a result of Delors' visit to Bonn, Stoltenberg also linked German acquiescence over the EMS explicitly to both Franco-Italian agreement to liberalise capital controls and a British commitment to enter the ERM.[25] Though presumably unknown to Delors and other members of EcoFin, the British Chancellor's intragovernmental strategy

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[23] Moravcsik, "Negotiating the SEA", p.66.; Agence Europe, 23/4 September 1985, p.5.
[24] Ibid., 30 October 1985, p.5.; Delors' text is at 28/9 October 1985, pp.5-6.
[25] Ibid., 30 October 1985, p.5.

to take sterling into the ERM was also coming to fruition. With hindsight, Delors' moderation and Stoltenberg's linkage dovetailed conveniently with the policy pursued by Lawson.

Though Delors' monetary text was the last submission to the IGC, the negotiators could not consider it until after the mid-November EcoFin. With technology and the environment secured, cohesion agreed in principle and the internal market almost guaranteed, Delors recast his pedestal as a "magic triangle" of which, lest the national ministers forget, the monetary capacity was a critical component. With continuing Franco-Italian opposition to capital liberalisation under article 70 (despite Stoltenberg's explicit linkage), Delors must have hoped that the Thatcher Government would indeed decide to submit sterling to the ERM's disciplines.[26]

At the 18 November meeting of EcoFin, contrary to expectations, Lawson arrived with news that, sadly, the time was still not 'ripe' for sterling to join the ERM. Five days earlier, the Chancellor had had every reason to expect that the second Downing Street seminar would accept his proposal. He had convinced a majority in the British core executive that sterling's entry was important for achieving the Government's monetary policy. He had not, however, convinced Margaret Thatcher and, though the consensus of the *ad hoc* group of ministers was in favour, she effectively vetoed Lawson's proposal and blocked appeals upwards to the full Cabinet.[27]

Once Lawson had announced to EcoFin that the British 'Government' still believed the time was still not ripe,

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[26] Ibid., 12/3 November 1985, p.3.
[27] Lawson, View from No.11, pp.494-504.

Stoltenberg rejected Delors' codification of the EMS in line with the explicit German linkage. To the extent that the Commission President had attempted to coordinate events, his plan failed and two of the most important ministers in EcoFin were now blocking further discussion of the monetary capacity. In light of these events, Delors immediately produced a revised text, shorter on practical developments but longer on pro-Community rhetoric. If the minimalists would not come along, then he would upgrade the 'common denominator' for the rest in favour of monetary cooperation.

The new Commission proposal, repeating the resolution to achieve a full EMU, was much closer to the aspirations of the Belgian and Italian Governments. In contrast to codification of the EMS in line with sectoral developments, the commitment to EMU was anathema to Lawson and Stoltenberg. They opposed Delors' new proposal with such vehemence that any mention of a monetary capacity in the reform package appeared lost. Using his Presidency prerogative, however, Santer thanked the finance ministers for their opinions on the proposal and announced that the foreign ministers would consider the issue at their next meeting. Even though some finance ministers felt the issue 'should then be filed for good', EcoFin as a sectoral Council "was simply expected to express its opinion" and therefore had no grounds to resist Santer's decision.[28]

Ministerial merry-go-round

The next day, Poos chaired the penultimate ministerial meeting, at which both British and German foreign ministers

[28] Agence Europe, 18/19 November 1985, p.7.; 20 November, p.7.

questioned the Presidency's agenda. Inclusion of the 'monetary capacity' was contrary to the advice of their colleagues in EcoFin. When Delors threatened that the Commission would "withdraw all its other proposals" if they excluded the monetary proposal from the IGC, the Presidency retained the text. Within a few days, the Belgian Government had tabled its own EMU proposal, further upgrading the Commission's text. It called for the creation of the European Monetary Fund (EMF), with sufficient "institutional autonomy" and powers to achieve the "internal and external stability of the Community's currency".[29] When the two 'monetary minimalists' sidelined themselves, they had clearly left the agenda open for the 'monetary maximalists'.

The market proposal was, in contrast, closer to agreement. Though the Presidency maintained the definition of an 'area without frontiers', it had agreed to reduce the number of priority articles under majority voting from seven to five, but it had not decided which two. The British Government was concerned about losing articles 51 and 56: the Presidency instead proposed dropping article 57 for the German, and article 70 for the French and Italian, Governments. With the collapse of EcoFin's efforts over monetary cooperation, the latter two Governments appeared to have little interest in liberalising their capital market. Equally important, four governments still demanded derogations from article 100 - for the environment and frontier controls - thereby threatening its effectiveness.

For a second time, a maximalist rejection group emerged to resist the lowest-common-denominator trend of bargaining.

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[29] Ibid., 20 November 1985, p.3.; 23 November, p.3.; Belgian text in 22 November, p.3.

With half of Lord Cockfield's priority articles removed from the list and derogations undermining even article 100, Delors and the Belgian Government warned that the whole internal market project was slipping below the "necessary minimum" to ensure success. Given the exemptions demanded by member governments, Delors later commented that Lord Cockfield's market appeared to have suffered from a "Texas chain-saw massacre". Within the conference, this group started to resist the continual whittling down of the market package. Their anxiety that the minimalism of the reforms might undermine the market's credibility struck a chord with those who primarily sought Community-wide liberalisation, such as the British Government.[30]

At their penultimate meeting with the MEP delegation, the ministers announced their agreement over the cooperation procedure. Instead of highlighting its technical flaws, the institutional maximalists simply rejected it and demanded co-decision. Spinelli castigated the ministers for failing to create a Community-wide democracy and ominously enumerated the various weapons at the EP's disposal. Commissioner Ripa di Meana, as a former-MEP, stressed how "mortifying" the debate over the EP had been, claiming that the governments were "building a Europe foreign to its citizens".[31] But the maximalist group which arose over the EP did not enjoy the same success as that defending the market project.

Finally, having traced the rough outline of a package of revisions, the ministers turned to examine the draft EPC treaty for the first time. Operating in isolation and by

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[30] Paraphrased in Agence Europe, 20 November 1985, p.3.; 28 November 1985, p.4.
[31] Ibid., 20 November 1985, p.3.; 23 November, p.7.

strict unanimity, the Political Committee had crafted a modest text, which rejected the Milan formula of the 'common foreign and security policy' and settled for a 'European foreign/external policy' instead. The one area of disagreement stemmed from the French Political Director's proposal for a super-secretariat, under the authority of a semi-autonomous Secretary General responsible directly to the European Council. Despite general criticism, he had continued to insist on this formulation.

At this penultimate ministerial meeting, Dumas revealed the cause of his Political Director's obstinacy, when he presented a draft 'Act of European Union' (AEU). The super-secretariat would become EPC's equivalent of the Commission, while heads of government, meeting as the 'Council of European Union', would cap this Fouchet-style political union. Having focused on codifying functional integration within the Community, the ministers had discussed neither the link between the EC and EPC, nor the desirability of creating a Union. Probably in line with agreement at the recent Franco-German summit, Dumas, however, forced the issue back on to the agenda.

Though the Presidency and German minister politely welcomed the French contribution, the "bombshell" caused "bewilderment and even negative reactions" among the majority.[32] From the federalist perspective, Ripa di Meana condemned its overt, Fouchet-style 'intergovernmentalism', while the pro-Community Belgian and Dutch ministers condemned the AEU for upsetting the EC's supranational balance with such overt presidentialism. As the ministers' meeting dissolved into

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[32] Ibid., 21 November 1985, pp.1,3.

recriminations, Rifkind adopted the 'pragmatic' approach of criticising the added bureaucracy that two new secretariats would entail. Even before the ministers had secured a satisfactory package of sectoral reforms, Dumas was returning the debate to divisive, theological questions over European Union and the future of the Community.

Despite the fourth ministerial meeting ending as badly as the second, the Presidency promised there would be a "precise document" for the European Council to consider. Moreover, it would detail all the "points to be decided upon, if necessary with [footnoted] reservations", as with the Dooge Reports. Drafted by the Secretariat's Task Force, this Presidency document would be the last opportunity to improve individual policy proposals before heads of government had to decide whether they could accept the whole package by common accord. Reflecting on Dumas' AEU which had thrown the meeting into confusion, the Presidency remarked that at least it "capped the unity" of the conference's efforts.[33]

Shortly before the European Council, the foreign ministers met in an informal conclave to examine the final Presidency document. In the more conducive surroundings of an exclusive and close-knit club of senior Community politicians, the foreign ministers were able to settle all but six of the outstanding issues. Meeting for thirteen hours without officials or advisers, the ministers' bargaining in conclave on 30 November resolved several issues which had defeated their diplomats over the past six weeks. They thereby outlined the remaining issues and differences of opinion for their political superiors and, by bringing a deal closer,

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[33] Ibid., pp.3-4.

subtly raised the stakes of all in reaching a settlement at the European Council.[34]

The agreement which emerged from the conclave was one which the British Government could still mostly welcome. Over the internal market, the Presidency dropped articles 51 and 56 on free movement for workers, and reinstated the commitments to capital liberalisation and recognition of professional qualifications. More importantly it had proposed a new majority-voting article - '100a' - by which the scope of approximation under article 100 could be limited. The German Government also accepted a joint Belgian-Dutch proposal on administering derogations under the new 100a, namely that the Commission would take a high level of protection as its legislative base, and would also act as a court of appeal.

Only the Anglo-Irish demand for protection of plant and animal health remained an obstacle. Coupled with majority voting' application, agreement on 100a represented "une véritable révolution".[35] Over the definition of the frontierless market and the legal status of the 1992 deadline, however, the Commission would not compromise. Delors and the Belgian Government also proved intransigent over the need to add a treaty-based commitment to creating monetary union, which they claimed was a logical corollary of the market project.[36] Even though Mitterrand now appeared willing to accept these integrative steps, the European Council would probably remove all these elements itself under combined Anglo-German pressure.

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[34] Interview with Howe.

[35] Agence Europe, 4 December 1985, p.5.; de Ruyt, L'Acte unique, p.166.

[36] Agence Europe, 27 November 1985, pp.3-4.

On social policy, dogged British opposition finally paid dividends when the Presidency dropped the Danish text on unemployment levels and seemed likely to restrict the proposal for work place conditions to unanimity. Somewhat surprisingly, however, Delors then added a clause introducing a hint of tripartite 'social partner' corporatism to the internal market, a trend anathema to the Thatcherite ideology which appeared unlikely to survive the European Council. During the debate over a consent procedure for the EP, Howe finally adopted a principled approach. He claimed he could not sign away prerogatives which the Westminster Parliament had only secured through a 'bloody Civil War' in the seventeenth century.[37] Whereas the flaws of the 'pragmatic' approach had allowed the introduction of the cooperation procedure, principled opposition appeared more effective in blocking calls for further improvements to the EP's powers.

The foreign ministers did not attempt to resolve the two main questions raised by Dumas' Act: both the relationship between the EC revisions and the EPC treaty, and creation of the Union were issues of the first order and could not simply be finessed by foreign ministers. On these, the sense of the conclave, among minimalists and maximalists alike, was that the reforms before them would probably not warrant the appellation of a full 'Treaty of European Union'. The Commission and Presidency were also far more interested in securing a single treaty, rather than a vague Union.[38]

In short, the British Government could accept the text. Over the course of twelve weeks, it had conceded only

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[37] Ibid., 27 November 1985, p.3.
[38] Ibid., 28 November 1985, p.5.

revision of the treaty, the extension of Council majority voting and a cooperation procedure for the EP. In the final phase, the Prime Minister still had to secure other policy preferences, by standing firm over social policy, a monetary capacity, a consent procedure, 'European Union', derogations for animal and plant health, the status of the 1992 deadline and definition of the 'frontierless' market. On most issues, the British Government had found allies with which to oppose the Presidency's proposals: the one exception was social policy. Given Thatcher's strength of character, seniority within the European Council and the need to take decisions by common accord, the Government had many reasons to assume its position was comfortable and its strategy secure.

Luxembourg's European Council

After the twelve week-long negotiations, there were only six outstanding issues remaining for the heads of government to consider. These included four questions of the first order, namely the inclusion of both a monetary capacity and new social policy provisions, the relationship between EC revisions and the EPC treaty, and the creation of the European Union. The two other issues requiring further clarification were the European Parliament's powers and the internal market. After the usual European Council formalities, Santer produced revised copies of the Presidency's document and turned the heads' attention to the internal market.

The three outstanding issues on the market project were still its definition, the status of the 1992-deadline and the

system of national protection under article 100a. Over the legal status of the deadline, Lord Cockfield would not yield. The more anxious member governments therefore adopted a political declaration that the deadline did "not create an automatic legal effect", but its standing compared to the treaty-based commitment was unclear. On the definition, Kohl was unexpectedly willing to accept the Commission's term, namely an 'area without frontiers'. Coupled with the French Government's recent acquiescence, Kohl's decision left Thatcher isolated in her opposition. As she still refused to accept the wider definition, the Presidency turned to the other persistent problem.

Although the conclave had accepted a system of protection based on a Dutch-Belgian proposal, this did not satisfy British and Irish concerns about plant and animal health controls under QMV. FitzGerald and Thatcher held their ground on this issue for over three hours, which irritated Kohl and Mitterrand intensely. For the British Government at least, the protection of frontier controls under 100a was linked to opposition to a 'frontierless' internal market. Refusing to limit 100a to unanimity, the Presidency defended its proposal by adding two additional clauses. Drawing on the solution to German environmental concerns, the first clause added consumer protection to the list of Commission considerations. The second drew on Article 36's provisions which allowed national restrictions to protect the "life of humans, animals and plants", unless judged (by the ECJ) to be a "disguised restriction on trade".

The significance of the Presidency's proposals was that they depended on trusting the Commission and accepting the

EC's legal order, rather than retaining the national veto. The governments had already agreed exemptions from 100a for the areas which encountered most opposition in the IGC: it would not therefore apply to indirect taxation, fiscal provisions, the rights and interests of self-employed persons, or the free movement of people generally. The Presidency was therefore reluctant to permit further exemptions, which is precisely what the British, Irish and Danish Governments were requesting. The momentum of the overall package, however, was moving against the specific wishes of these three minimalists.

The governments had accepted that seven of the original ten articles would become priorities for implementing the market project. Of these, six would gain majority-voting as their decision-making rule, and only article 99 would remain under unanimity.[39] Since the conclave, the French and Italian Governments had even accepted the liberalisation of capital movements. Though Kohl and Mitterrand made last efforts at the European Council to remove articles 57(2) and 84 respectively from the list, the majority of governments was unwilling to re-open the negotiations. Instead, the Presidency simply allowed unanimity for article 57 where directives would affect national legislation, while permitting references to the existing system of derogations within transport policy.

With the internal market issue all but resolved, the three most recalcitrant governments came under increasing pressure to demonstrate flexibility. In return for a clause limiting market legislation to "the basis of Treaty provisions", the

[39] The final priorities were articles 28, 57(2), 59(2), 70(1), 84, 99 and 100a. Articles 8b and 100b were added later.

British Prime Minister said she might be willing - albeit reluctantly - to accept both the 'frontierless' definition of the market and the Presidency's proposal for protection under article 100a, depending on the whole deal. After such a concession, both the Irish and Danish premiers were obliged to accept similar arrangements, despite continuing concerns over plant health and the environment respectively. Deserted by Kohl and Thatcher, they had little option but to settle.

Having finally secured provisional agreement on all aspects of the internal market, Santer introduced the topic of the monetary capacity. The British team was relatively confident that, following its flexibility over 100a and frontiers, it could resist the Commission's monetary proposal. Only five days earlier, Thatcher had met Kohl in person to cement Anglo–German positions on the IGC, especially against any mention of monetary affairs. When Delors suddenly withdrew his proposal in favour of a new Dutch draft, Kohl surprisingly intimated that he, unlike his finance minister Stoltenberg, might now be willing to include the subject in the reform package.

Exactly why the German Chancellor chose to compromise is unclear, but the last minute agreement by the French and Italian Governments to liberalise their capital controls probably contributed to his decision, suggesting a pre-arranged side–bargain. Stoltenberg had already revealed interest in linkage among codification of the EMS, capital liberalisation and sterling's entry into the ERM. While the latter had failed at the eleventh hour, the French and Italian Governments announced capital liberalisation at the last minute. Thatcher was apparently furious at the

Chancellor, whose concession provoked one senior British official to lament that the "Germans had not stood firm since Arnhem".[40]

Isolated within the conference, Thatcher duly made another concession of the first order in agreeing to examine the Dutch text. The fact that the entire internal market project, including new commitments to capital liberalisation, was now within her reach probably persuaded her to compromise on an issue which until recently she had opposed. Presumably shamed by the *volte-face*, German officials worked overnight with their British counterparts on the text to find a suitable compromise. Having conceded the principle of including a monetary capacity within the Treaty of Rome, the British Government could expect a degree of understanding from the other member governments over form.

The British diplomats were therefore able to block references to the EMF, European central bank and even EMCF (which Rifkind had accepted in Dooge), while insisting on the provisions of article 236 for future institutional changes. They also insisted that the new clauses be placed with the chapter on economic, rather than monetary, policy, thereby shifting the emphasis subtly. Before the European Council, Lawson had explicitly advised Thatcher not to concede a reference to EMU, as it "implies progress towards a common currency and a common Central Bank".[41] Under pressure from Delors and the Belgian and Italian Governments, she made this second concession so as to secure the market project. The Prime Minister later protested that the references were

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[40] Agence Europe, 2/3 December 1985, p.3a.; Times, 4 December 1985.

[41] Lawson, View from No.11, p.893.

unimportant, but her Chancellor - who had sought to avoid such a situation by admitting sterling to the EMS's exchange rate mechanism - had advised her otherwise.

Having already obliged the British Government to make concessions on two key policy areas, the Commission and Presidency appeared especially willing to accommodate British concerns over the last two issues. Unfortunately, Thatcher opposed both social policy and further powers for the EP. Over the former, British resistance was unlikely to block acceptance of the text because the Presidency had presented it as a *quid pro quo* for Danish concessions over both the environment and the EP. Delors did, however, redraft the text to meet Thatcher's concerns part way. Though she conceded the principle, Thatcher clawed several points back with a clause instructing the Commission to draft directives which did not impose burdens on small- and medium-sized businesses. By limiting legislation on the work place to the field of health and safety, in which the United Kingdom had some of the most rigourous standards, the Commission chose a practical means to defuse the doctrinal dispute: the 'fudged' deal, however, would return to haunt the Conservatives.

The question of whether to agree to new consent and cooperation procedures for the European Parliament remained. Eight foreign ministers had already accepted the cooperation procedure, largely as it left the Council with the last word and did not seem to alter the inter-institutional balance. But 'consent', though only applying to two infrequently used articles, would affect the decision-making equilibrium and create a precedent. It was therefore a greater problem and the heads failed to agree the text. As stalemate emerged,

Craxi threw the debate into confusion by attempting to upgrade the entire institutional package with a commitment to full co-decision.

Even though only applying from 1993, the Italian proposal would have denied the Council the last word, slowed the decision-making process and given undue weight to the EP's opinions. Though unacceptable to the majority and especially the British and Danish Governments, the co-decision procedure proposed by Italy did serve to place the more modest consent procedure in context, for it would formally allow the EP only to consent to, or dissent from, a *fait accompli* negotiated by member governments. Though MEPs would gain the right to the last word, it could only be 'yes' or 'no'. The eight governments which had accepted the cooperation procedure duly accepted consent, placing greater pressure on the two backmarkers.

Having failed to move the Council over the issue of co-decision, Craxi re-opened the debate on cohesion. Speaking presumably on behalf of the Mediterranean entrants as well as himself, the Italian Prime Minister proposed to include a Treaty obligation that cohesion policy be "adequately funded". This represented more than a rhetorical upgrading, for the existing compromise concerned only the operation of the structural funds and not their financing. As such it met immediate opposition from both the British and German Governments: as the majority of the Council was apparently unwilling to start the debate once again, the Italian proposal appeared likely to fail.

On the second day, with time running out, the package still not sewn up and the world watching, the Luxembourg Government

called for *super-restreint* within the European Council. When the Council of Ministers urgently needs to reach agreement, the Presidency can order *restreint*, meaning that the doors are closed and ministers keep only one or two officials each. Through *super-restreint*, however, the Luxembourg Presidency demanded the departure of all officials from the room, except of course those of the Council Secretariat. Through a diplomatic practice which had never been applied to the European Council before, and of which there could be few other examples in the international system, the Presidency relentlessly pursued political agreement.

Having identified the major reservations, the Presidency led the heads of government through a detailed, line-by-line analysis of the document. Against their better judgement, both Kohl and Thatcher reluctantly acquiesced in the *super-restreint* process, knowing that an audience much larger than the Community itself awaited the results of their efforts. Eighteen months after the reform process had been unleashed at Fontainebleau, no leader wished to leave Luxembourg bearing sole responsibility for having blocked agreement. The apprehension of causing failure, rather than any threat of exclusion, appears to have been the primary motivation during that evening, and its influence should not be underestimated.

Precisely what happened behind those closed doors is still unclear, but, early in the morning of 4 December 1985, the heads of government and their foreign ministers finally emerged, having struck a provisional compromise on ten separate subjects.[42] That which three months of detailed

[42] The Presidency document is in Agence Europe's series of Europe Documents, 5 December 1985, Nos.1383/1384.

diplomacy had failed to achieve, two days of political horse-trading finally resolved. The text was provisional in the sense that only the IGC itself could adopt the final texts and there were still two general and five specific national reserves. In spite of these considerations, the Presidency's unorthodox tactic had sufficiently advanced the bargain that no government wished to use the veto. When article 236's common accord finally became operational, none dared use it.

The Italian Government had dropped both of its last minute proposals, but maintained a "conditional acceptance" of the reforms until the EP had passed judgement. Craxi also retained a specific reserve on EP procedures and joined the Greek Government in a reserve on cohesion. The Danish Government added specific reserves on the EP and monetary capacity, while retaining its general reservation about the whole conference. On social policy, the British Government maintained its reservation, though the Commission had done as much as it could to meet British concerns. Though the heads had apparently been unable to discuss several key questions, such as the singular nature of the reforms or creation of the European Union, the productive conclusion of the Luxembourg European Council assured the conference's success.

Postscript to the European Council

Though the heads of government and media behaved as if the conference had ended, there was still one last meeting planned for the foreign ministers, at which the reserves would have to be addressed. The Parliament also had to provide its Opinion on the package negotiated by the

governments. In this instance, the foreign ministers had to take the EP's opinion seriously due to the commitment which the Italian Government had made on behalf of its national parliament.[43] In a sense, Thatcher's defiant statement to the House of Commons was premature, for on that same day the federalist Institutional Affairs Committee met in Brussels to adopt a resolution spurning the European Council's efforts.

Though Spinelli and the IAC rejected the conference's intergovernmental bargain for failing to match the vision of their draft TEU, an informal coalition of EPPG and EDG members at the EP's plenary session again pressed for moderation. Instead of Spinelli's demand for re-opening the negotiations, the pro-Community MEPs urged the ministers to consider a list of specific requests at their last meeting. While dealing with the Italian attempt to introduce co-decision, the European Council had not been able to consider the proposed cooperation procedure in detail, or to address its key weaknesses. As a decision-making rule, it still had a number of flaws and the EP had an interest in finding a solution to these. To this end, the more moderate MEPs submitted four requests to the ministers.

At their meeting on 16 December, the foreign ministers considered these and duly met three of the EP's four specific requests. First, on the Council's second reading, the ministers agreed with the EP over the need for a time limit, and set it at three months. The slow pace of previous EC legislation, partly resulting from the lack of such a Council deadline, was unacceptable if the governments wished to complete the market project by 1992. Second, the ministers

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[43] Interviews with Howe and Tindemans.

agreed that even EP amendments which the Commission did not adopt should be transmitted to the Council. Though the Council could then only adopt such amendments by unanimity (as they did not have the Commission's blessing), the EP secured its first legislative dialogue with the Council.

Over the more important issue of whether the EP's rejection of the common position would actually have an impact on the Council's decision-making, the ministers settled in favour of parliamentary influence. No matter how the Commission reacted to the Council's common position, the EP's rejection would oblige it to proceed by unanimity. Even this apparently minor change would alter the balance within the EC's decision-making system. If the EP had one ally among the ministers (as it did not with Italy), the Council - having to decide with a three month deadline - might come under considerable parliamentary leverage over such decisions.

There were also clear limits, however, to the political leverage which the EP gained from the Italian commitment. The ministers did not adopt the EP's most radical request, namely that legislation should pass if the Council failed to take a second reading before the three month deadline. But ministers had accepted three of the EP's requests. Though at first sight rather technical and limited in appearance, the changes agreed at the last ministerial meeting became the distinguishing features of the cooperation procedure. The three-month rule has since put "a lot of pressure on Council, as it must choose within a short deadline". The EP's option to reject the common position in turn obliges the Commission "to accept amendments" or risk losing its proposals due to

the Council deadline.[44] The impact of these technical adjustments would therefore be of institutional significance.

The last ministerial meeting also had to resolve two linked questions remaining from the European Council. First, even though the reforms which had emerged from the conference were far more than the 'footnote' governments would have desired, they were also more modest than the maximalists had wished. The latter therefore believed that the modest revisions did not warrant the title of 'Treaty of European Union'. After years of theological wrangling, one of the most troublesome questions virtually took care of itself. Second, the issue of whether to link the short treaty codifying EPC with the series of EC treaty revisions, however, remained on the agenda. At Milan, the French and German Governments had suggested that the two forms of activity be combined into a limited union of economic integration and political cooperation. Though the full European Union would not be created in 1985, the modest linking of the two spheres of activity was acceptable to the foreign ministers.

In answering both questions, Dumas' recent 'Act of European Union' appeared to bring a semblance of unity to the intergovernmental conference's results. First, the 'Common Provisions' of Titles I would link the EC and EPC pillars in a single treaty as "progress towards European unity", then each form of cooperation would retain its separate legal and functional identity in Titles II (for the EC) and III (for EPC). From this compromise - and with echoes of Genscher's 1981 initiative - the ministers drew the title for their reform package, namely the "Single European Act".

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[44] Corbett, Jacobs and Shackleton, European Parliament, pp.185–6.

At the end of the meeting, it was clear that these were now the final documents, even though the IGC would formally last until plenipotentiaries had signed the Act. Although Italian, Danish and British ministers retained their reserves and the EP had to vote on the entire package, the conference was effectively at an end. Van Eekelen, as a senior minister in the incoming Dutch Presidency, was confident that the reservations would be withdrawn and his Government announced a date for the signing of the Single Act in February 1986.[45]

Since mid-October, the Luxembourg Government had worked hard to construct a package from the sea of papers which the Commission and national governments had submitted. Instead of catering to the lowest-common-denominator which the minimalist governments desired, the Presidency had upgraded the content of individual issue areas and linked them across sectoral boundaries to craft an acceptable bargain. Apparently against the odds, it had gradually built on the internal market project until it had secured both Delors' pedestal and its own form of issue linkage. With the common accord provisions only applying at the European Council, the Presidency was able to present a bargain to the heads of government in which all had a stake and which none wished to wreck. In retrospect, Ian Davidson had been closer with his analysis that 'all had changed' after Milan. De la Malène's simpler view that "on a décidé à la majorité que demain on décidera à l'unanimité" missed the IGC's inherent dynamics.[46]

The successful completion of the first intergovernmental conference and the making of the Single European Act marked a

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[45] Interview with van Eekelen.

[46] De la Malène, Le Monde.; Davidson, Financial Times.

watershed in the Community's development. Though modest at first sight, the changes heralded by the Single Act would subtly transform relations among the member governments and within their nation states. In the United Kingdom, attention at the time was focused on the disputes within the Thatcher Government over a helicopter company, rather than on events in the Community arena. When copies of the SEA became available in early-January, the occasion was overshadowed in British parliamentary and public arenas by the Defence Secretary's resignation, ostensibly over the Government's European policy. As his book written from the backbenches revealed, he at least believed that the challenge for British governments had now become that of the European Community.[47]

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[47] Heseltine, Challenge of Europe.

Conclusions

The introduction posed two key questions for the thesis: first, why did the British Government agree to a process of formal reform and ultimately an intergovernmental conference? Second, why did the Single Act take the specific shape and form that it did? Answers to these questions have emerged from study of two separate processes of integration, the informal and formal. To complete the thesis, this final section will draw conclusions from the preceding analysis of the years 1979 to 1986.

Informal integration: 1979–1984

The British Government accepted formal reform of the EC for two important reasons; one was European and political, the other global and economic. First, the political, European reason. During the decade after the UK joined the EC, a process of informal integration continued below the surface of high politics. Many contemporary policy studies noted isolated elements of this process without pulling them together or analysing their cumulative impact. Meanwhile, general international relations theorists missed these developments, having abandoned the EC as a field unworthy of theoretical enquiry. But these small steps, agreed for 'pragmatic', functional reasons, had a cumulative effect which also evaded the attention of governments and bureaucracies. This slow, concrete evolution from the early–1970s, however, provided the basis and a series of channels for the formal integration of the mid–1980s.

The other important strand was the shift in the global economy after the oil and monetary shocks of the early-1970s. Academic commentators have adequately covered the importance of this structural shift for west European states and outlined its importance to the emerging consensus in favour of liberalisation.[1] Though the underlying impetus for many changes, the structural shifts did not effect all national polities in Europe the same way. If they had, then the national responses and resulting policy preferences would have been much more similar. Even a cursory comparison of British and French preferences in the early-1980s reveals that this was not the case.

Instead, each national polity responded to global changes through its own fragmented and complex policy-making mechanism. As many of the burdens of the 1970s' structural shifts fell primarily on corporate and other societal actors, states had to react to challenges experienced at one step removed. This is especially true of the internal market project and rise of information technology. The creation of an EC internal market was not the obvious response to the economic challenges of the late-1970s, as the case of the neo-liberal, but anti-Marketeer, Thatcher Government demonstrated. The question is therefore why did it become the explicit policy preference for several key member governments and ultimately the EC itself?

This is precisely where the existing literature fails to provide convincing answers. For the UK at least, Moravcsik is right that the internal market programme was "launched independently of pressure from transnationally organised

[1] For example Sandholtz and Zysman's "1992", Moravcsik's "Negotiating the SEA" and George's European Community.

business interest groups", such as UNICE.[2] But this does not explain how the Thatcher Government came to espouse the European market as a policy preference.

Pressure in favour of European, instead of global, liberalisation came initially from corporate actors themselves which both lobbied governments directly and acted through *nationally* organised business interest groups. The latter included sectoral trade associations and peak institutions, such as the CBI. In this context, the Community-level institution played a role in coordinating the efforts of its national members as they lobbied the member government they knew best. Together they influenced the 'state' as it defined its policy preferences.

Transnational actors were also crucial. The importance of the Kangaroo Group for both the EP and MEPs has been discussed above, but it was also a significant transnational forum for business interests. Sir David Nicolson believed that "businessmen are usually too busy to play politics", so they required other mediating societal actors to press their specific interests in the political arena.[3] The many informal contacts between the Kangaroo Group and corporate actors have largely been lost to time, but the number of subscribers, letters of support and provision of assistance with conferences and an office demonstrate that the Group's efforts were worthy of corporate funding. As members of an informal interest group, the Kangaroos won support and exerted an influence in European and British arenas beyond their numbers.

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[2] Moravcsik, "Negotiating the SEA", p.79.
[3] Interview with Nicolson.

The role the supranational Commission played over the internal market project was similar to that of the Kangaroo Group. Even before Lord Cockfield's appointment, members of the Commission were pressing the case for the internal market. As a 'policy entrepreneur', Narjes exploited his position as Commissioner, membership of the transnational EPP and presence in the relevant sectoral Council of Ministers to advance the cause of the internal market. Such pressure for regional liberalisation met the political interests of both free-trader governments and an activist Commission.

The supranational institution and transnational group, in informal alliance with business and their nationally organised interest groups, pushed the Community dimension to trade liberalisation. They gained a first victory at Copenhagen when the heads of government accepted the vague 'internal market' as a policy priority. Though the British Government was already interested in more than national liberalisation, it had pursued the EC option to a lesser extent than it had pursued a new GATT round. Whereas the latter failed to provide an initiative in late-1982, around which the contracting parties could rally, the Commission effectively 'sold' the Community as the preferred forum for liberalisation, despite the ongoing budget dispute.

In short, the preference–convergence thesis therefore has much validity in explaining the general origins of the internal market. But the underlying question of why national policies converged on this specific Community solution at this time remains open. The answer clearly needs to include the unique supranational and transnational dimensions involved in the European arena.

Like the EC internal market, the convergence of policy preferences on a European dimension to the unfolding IT sector was not the British Government's first option. In response to the Japanese Government, Thatcher's minister for IT had initially created a national project to encourage national responses. The Commission's ESPRIT project predated the Alvey programme and to an extent was seen as a subtle distraction from, if not challenge to, the national effort. The larger British firms involved in both projects, however, preferred the Community arena to the national one. Policy-makers at GEC, ICL and Plessey clearly favoured one forum over another for basic business reasons. The informal contacts and bargains struck between business and the supranational Commission on Davignon's IT round table would be crucial to the launch of ESPRIT.

The Commissioner had thereby created a constituency which welcomed policies at the Community level by skirting the national public authorities. When the Commission finally asked the Council for funding for the pilot project, it relied on the support of 'national champions' for ESPRIT in each large member state. The national governments, while apparently taking all the decisions over ESPRIT, were in fact merely formalising the bargain struck by the Commission and twelve firms. This is especially instructive in the British case, for a national Minister with the Government's blessing had so clearly committed himself to a national alternative.

The third important dimension to the 1970s' economic challenge was a monetary one. In contrast to its reactions to the EC's internal market and IT policy, the Thatcher Government did not embrace a monetary dimension in its Europe

—the Future policy paper. The different perceptions of the structural challenge across western Europe resulted in a variety of governmental responses. With little private sector support for ERM membership in the UK, partly due to a certain caution on the part of business actors, the issue was left to the core executive itself.

As a national response to the global changes, the Thatcher Government had already liberalised capital movements unilaterally in 1979. In other EC member states, efforts at European coordination followed such national liberalisation. Objective criteria apart, the UK Government's general opposition to ERM membership stemmed directly from the Prime Minister's personal views, her monetarism and a hint of anti-Marketeer, if not anti-European, sentiment. The result of unilateral liberalisation, coupled to the inherent problems of targeting M3, underlay her second Chancellor's growing interest in ERM membership. Lawson, in contrast to the Prime minister, considered membership as a functional, but also 'radical' (in the light of Thatcherite orthodoxy), solution to his departmental concerns at the Treasury. In an important sense, the British drive to liberalise capital movements Community-wide as part of the internal market project would add further pressure in favour of entry, undermining the prospects for "monetarism in one country".[4]

Not all developments stemmed directly from the structural economic shifts, as observations from chapters two and three on the process of informal and semi-formal integration reveal. The successful case of EPC is instructive in that it did not involve either a large Community-level constituency

[4] Willetts, Modern Conservatism, p.129.

or Commission leadership. Instead, political pressure on this partially integrated area of activity to produce even more coherent and consistent results in foreign policy coordination underpinned its gradual integration. Such pressure came both from outside of the Community, in terms of other governments expecting coherent 'European' positions, and from within, from member states' MFAs. Two forms of integration complemented these pressures.

Informal EPC integration stemmed from the subtle transgovernmental networks of MFA officials who met to discuss aspects of their states' foreign policies. Already sharing similar diplomatic traditions and norms, the officials found much that was familiar in the structures of EPC. Over time, even this most 'intergovernmental' of fields revealed the capacity to socialise its participants into the European arena, inculcating reflexes of consultation and habits of cooperation. Semi-formal integration in EPC resulted from the accumulation of joint declarations and common positions which created an *acquis politique*. Sub-government actors thereby shaped a system of cooperation across the spectrum of MFA interests about which the core executive was often only distantly aware. At times, agreements codified existing practices through formal integration, such as the London Report, but the norm was semi-formal integration, for example the Venice Declaration.

The endogenous drive for closer cooperation came from failures of the EPC machinery itself, for example over its inability to respond to the invasion of Afghanistan in a timely fashion. Given the expectations that EPC had engendered in the mid-1970s, the failure to react for almost

a month provoked responses that had as much to do with national pride as concern over EPC itself. Such events also involve a related, exogenous element. Since Kissinger's 'Year of Europe', west European governments had been painfully aware of trans-Atlantic perceptions. Failures of the EPC machinery in the early-1980s seemed like European vacillation on issues where the United States' Government was already taking a clear position. External (especially US) expectations therefore combined with European embarrassment (as they still do) to provide impetus to EPC's development.

EPC particularly appealed to both the British core executive and the country's diplomats for three reasons. First, it developed largely in line with operational requirements and was therefore 'event-driven', rather than inspired by constitutional blueprints. Second, it was a development in a field of government activity in which the UK had some expertise. But last and perhaps most importantly, EPC operated by consensus and lay beyond the strict confines of the Community's structures. While the Foreign Secretary welcomed EPC in part due to his ministry's new lease of life in the European arena (and the attraction this held for career diplomats), the Prime Minister saw it as a means to walk slightly taller on the world stage. EPC would also allow her to bring other European foreign policies into line with her own distinctive stance.

Three other fields which developed informally and more independently of structural economic shifts during the 1970s and early-1980s reveal the continuing significance of 'spillover'. Based on a minimal political mandate from 1972, these three sectors - namely environmental, social and

regional policy – gradually expanded as areas of EC responsibility. The agents of such sectoral spillover were sub–government units, supranational EC institutions and various interest groups.

Social and environmental policies both demonstrated a form of legislative spillover, by which Community action mobilised national constituencies. In the United Kingdom, however, participation in the Community arena was essentially negative, as British companies urged the CBI and IoD to act against the process. Though EC social policy did not provoke positive responses from the Labour party or trades union movement within the UK, the raft of environmental legislation did induce more constructive action. When those involved realised the potentially *ultra vires* nature of all EC environmental law, a number of participants and pressure groups were sufficiently interested to urge the relevant Department to consider the advantages of an EC treaty–base.

The failure of the EC's regional policy - in the sense of promoting British regions' interests, both political and economic, in the Community - is partly explicable from the particular nature of the British union. The historical evolution of the constitution and early consolidation of the state's territorial limits, coupled with the Conservative party's staunch defence of the union, served to undermine transfers of loyalty to other centres. In the UK, parties representing regions with territorial identities remained suspicious of the EC until the late–1980s, even though their regions benefitted considerably from Community funds.

Whereas the above three areas developed below the core executive's attention, the question of the Community's

institutions was its domain *par excellence*. Even so, this area was not left solely to rational discourse among member governments. Unlike the international bodies in 'regimes', those belonging to the Community played significant roles in the EC's and their own development. The EP was rarely a direct or decisive player in this period, but its members clearly wielded informal influence. Most commentators have overlooked this influence for two reasons.

First, outside formal structures, MEPs operated through loose groups, such as the Kangaroo Group and the Crocodile Club. These were no less effective for being informal, but their influence is harder to study. In the case of the United Kingdom, the transnational Kangaroo Group was probably more influential than all the official EP delegations and parliamentary exhortations combined. A second reason for this oversight lies in the term 'parliament', which is especially misleading in a British context. The name evokes an influential chamber-based institution, which provides the government of the day and is the locus of sovereignty. This clearly does not apply to the European Parliament. Despite the nomenclature, the EP as an institution is closer to other models, such as the United States Congress, where individuals and committees are regularly more important in sectoral policy-making networks, than the assembly as a whole.

MEPs also played an important role within the EC's dense institutional matrix. Through their constant pressure to improve the EP's position, such as its role over the budget, MEPs secured influence at the margins of the Commission-Council relationship. Though such influence was much less than that which national parliaments enjoyed at home, it

compared favourably with that of international assemblies. By seizing the institutional initiative, the EP could develop norms of behaviour and establish precedents, which it could in time use to secure agreement to formal codification. Informal habits and semi-formal customs might then become formal practices through inter-institutional agreements. A vigilant and activist EP, by such institutional spillover, could significantly improve its own position.

The ECJ also played a role, though less obviously, by slowly socialising national courts into the European arena, developing a corpus of Community legislation and establishing key legal principles. The internal market project itself relied heavily on the '*Cassis de Dijon*' principle of mutual recognition to cut the 'Gordian knot' of detailed harmonisation. The ECJ also protected the positions of the two other supranational institutions, especially against member state encroachment:the Isuglocose case was only one of several key judgements which strengthened the EP against the Council. The Court was also subtle in reinforcing the EC system of obligations and compliance, which is normally left for governments participating in international bargaining.[5] The robust nature of EC law, in contrast to other forms of international law, with its supremacy within member states, secured for the European arena the status of an intimate forum for international cooperation over a variety of issues.

The European Commission played a more direct role than either of the other two institutions. In the process of informal integration, the Commission was active in encouraging interest groups and linking societal actors

[5] Moravcsik, "Disciplining finance".

across national frontiers. The IT sector, in which Davignon played such an important role, is one of the clearest examples. But as a quasi-executive in its own right, the College of Commissioners also participated in all the major formal 'intergovernmental' initiatives of the period. Even where the Treaties did not assign the Commission a role, it could, and often did, play a crucial part in the bargaining process. Throughout the IGC's reform process, the Commission coordinated positions and drafted papers, allowing it considerable influence. Its importance varied by sector, but, as guardian of the Treaty-based Community interest, the European Commission played a significant role.

Having considered observations on the process of informal integration from the major sectors that appeared in the Single European Act, the thesis will now draw more general conclusions about the actors and process involved. In the informal stage of integration, the key actors were more often those traditionally associated with neo-functionalist analysis. These included the supranational Commission, transnational business groups and other societal actors, eg non-governmental organisations and interest groups. The mix of participants varied by sector, but the players were not usually state actors. Even where 'state' actors were involved, they were as likely to be sub-government units, operating at the margins of the core executive's awareness. In fact, the processes of informal and semi-formal integration, and the phenomenon of spillover, were most likely to occur when such non-'core' actors were involved.

Among societal actors, the transnational business group, headquartered in one EC state but with operations across the

European market, proved crucial to this integration process. The groups themselves often took a European perspective before governments did. Their daily internal processes of market-driven adaptation and rationalisation provided one of the key pressures behind informal economic integration. As pragmatic calculators of their functional self-interest, such groups are less likely to be concerned with the niceties of national sovereignty or theology behind intra-institutional disputes. Their primary concern was to deal with the most effective level of public authority.

Such groups were especially influential in the policy-making process. Within the transnational group, individual companies might have appeared unchanged, but as members of such groups, their relations with other firms and national governments were transformed. Through their companies, transnational groups were important societal actors in each country where they had a presence. Different parts of the group could therefore lobby 'their' national public authority under the group's coordination: this was the case with Royal Dutch/Shell. The national firms gained transnational interests, while the transnational group won local influence.

Such informal integration and spillover had their limits. A determined core executive could halt the process of integration by expending political capital. The Thatcher Government did so over the evolution of social policy. Once it had noticed its trajectory, the core executive halted it in its tracks. Whether it could hold the ring for the longer term was another question. In a straight contest, the core executive could bring greater resources to bear against unwelcome integrative developments in the outer-executive.

The advantage that the integration process enjoys is that it can occur at so many different levels and in so many sectors that the core cannot possibly monitor all fronts. The impact of the core executive in controlling the process therefore appears restricted.

A second limit was implicit in the operation of integration itself. The process tends to expand to the full extent of its legal competence or political mandate. Once it has done so, it reaches limits requiring a new political mandate or legal Treaty base, both of which can be based on inter-governmental bargains. The spillover of informal integration therefore creates pressure for further, formal integration in the form of the policy area's codification. Integration can therefore spill over until the sector is 'ripe' to be formally integrated through an intergovernmental bargain. But until the latter happens, the process of integration can itself falter. Once codified, the degree of integration is virtually 'locked-in' as part of the *acquis*.

The first half of the thesis challenged the applicability of a purely intergovernmental, state-centric approach at several levels. One of the most important levels was the nature of the state itself. This is crucial to an understanding of these processes. The description of the state model in chapter one in fact forms one of the key conclusions of the thesis. Without repeating the fragmented arena-approach, it is important to stress the need for such a disaggregated model for considerations of integration.

The model itself evolved as the research project progressed. From the dialectic between the model and empirical research, a gradual honing produced the one

detailed at the start of the thesis. It is a hybrid of other models, drawing on the Jordan and Richardson arena model, combined with the core executive and policy network approaches of Dunleavy, Rhodes and Marsh, and nuanced by the addition of the head of government as key actor. The disaggregated state-model is crucial for an understanding of spillover and informal integration. Only with such a model is it possible to describe how governments adopt and alter policy preferences over time.

Linked to the model are two phenomena drawn from Keohane and Nye's work, namely transnationalism and trans-governmentalism. The conclusions have already discussed the importance of the transnational business group and the European perspective which it can bring to policy making arenas. From chapters two and three, it is clear that most national parties are now also linked into transnational networks. The most effective example is the Christian Democrats' transnational 'European People's Party' (EPP). This exists as both a pan-European caucus and as the more tightly organised EPP Group (EPPG) among MEPs. Both were influential actors in the European arena in which the UK Government had to operate.

The impact of such political transnationalism was not uniform. From the late-1970s, the British Labour Party was affiliated with the EP's Socialist Group which was of comparable size to the EPPG. The formal links, however, appeared to have little impact on the anti-Marketeer attitudes of either Labour's MEPs or wider national party. Both of these sidelined themselves due to their suspicions of the European venture. In contrast, the British Conservative

Party chose not to join the EPPG in 1978. Though its MEPs remained outside the major European groups, they still managed to wield some influence through their own activism. De Ferranti's role in the Kangaroo Group was a clear example. The major deficiency was that the national party and its leadership remained isolated from developments in the EPPG.

Transgovernmentalism, namely contact among sub-government units and those outside core executives, was also important. At one level, it played a role in subtly socialising parts of the bureaucracy into the European arena, for example over EPC and environmental policy. At another, transgovernmentalism also influenced contact among outer-executive ministers in sectoral Councils. Unlike traditional interstate relations, intra-Community diplomacy takes place among many different ministers. Although the foreign ministers attempt to retain a collective overview as the General Affairs Council and as participants in European Councils, they could not hope to monitor all aspects of transgovernmental contact.

The final observation concerns the phenomenon of spillover. Spillover, a key concept for the neo-functionalists, fell into disuse - and perhaps disrepute - following the neo-*Realists*' theoretical hegemony of the mid-1970s. More recently, Keohane and Hoffmann have admitted spillover may be a consequence of the SEA's intergovernmental bargain. They allege, however, that there was no 'pre-bargain' spillover which led to the making of the Single European Act.

As this detailed study of one nation state in the early-1980s demonstrates, an understanding of the UK's emerging policy preferences must take into account spillover of several varieties. The challenge of global economic

shifts is vitally important, but is not sufficient of itself to explain the content of UK policy generally or the Europe—the Future document specifically. The latter was in large part a product of this process of informal integration and spillover, demonstrating the distance the Thatcher Government had moved since taking office in 1979.

Spillover can take several forms. The most familiar is *sectoral* spillover, as introduced by the neo—functionalists. In this instance, spillover stems "from a commitment to unity which is only partially implemented".[6] Where a sector is only partially integrated by an act of formal codification, an internal logic creates pressure for further integration. This thesis, unlike much neo—functionalist analysis, does not view this as a depoliticised, depersonalised or inevitable procedure. Instead, spillover has active 'agents' advancing the process. In many cases, these were corporate actors and the supranational Commission.

Not all spillover creates positive constituencies. Other actors may oppose the informal process, for example British business and ultimately the core executive, as over EC social policy. The Commission's activism in this sector antagonised corporate interests without winning the support of the labour movement. In the end, Delors had to come to the UK in 1988 and personally win the latter to the European cause. Something similar happened with the EC's regional policy. The Thatcher Government was ideologically opposed to such expenditure and the British regions did not yet see the EC as an asset in pursuing their political ends, such as greater fiscal independence from Westminster. The contrast with

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[6] Haas, Uniting of Europe, p.243.

environmental policy is important: spillover in this sector created positive constituencies willing to press the core executive to alter its policy preference.

At one level, monetary coordination was a sector where spillover might have been expected. For several member states, currency liberalisation made European cooperation a desirable complement to unilateral deregulation. As the velocity of currency exchanges increased in the integrated European capital market, governments could respond to the informal pressures by turning to each other for assistance. Some in fact did: the UK Government did not.

At the level of business activity, some corporate actors realised a connection between liberalisation by completion of the internal market and by minimising currency fluctuations. Both were attempts to reduce 'barriers to trade'. Trans-national groups were again among the first to perceive a connection, but for reasons of personality and party-politics, cases built on spillover in this sector had little effect on Thatcher. Pressures from a completed single market for a single currency may yet prove the ultimate spillover from economic integration to political codification.

A second form of spillover occurred informally among the EC's structures. Involved in the various sectors of Community activity, the permanent bodies (especially the Commission and Parliament) played important roles in the EC's evolving institutional matrix. By subtly expanding their competences, establishing precedents and maintaining the rhetorical pressure, these two bodies gradually became more like national executives and assemblies. Buchan and Colchester noted only the rhetorical element which altered

perceptions of the possible, but Sandholtz and Zysman referred to this process explicitly as a form of '*institutional* spillover'.[7]

Spillover within the European arena was therefore an important, but by no means the sole, determinant of policy preferences. Self-interested core executives and societal actors interacted with the informal process of spillover. They had the option to oppose or champion it. Though Keohane and Hoffmann admitted only that there was 'post-bargain' spillover, this first section of the thesis demonstrated that informal integration and spillover predated - and shaped - formal codification in the form of the SEA. From the preceding empirical analysis, the thesis agrees with Helen Wallace "that the neo-functionalists' concept of 'spill-over' is now being vindicated" by events within the EC.[8]

A third and more subtle form of spillover existed due to the process of EC enlargement. Each successive wave of accessions, or rather the anticipated problems of each wave, encouraged changes to the structure and policies of the EC. The original six member states represented only the partially implemented unity of Europe. Culturally, historically and (most importantly) economically, the six ECSC founders were only a fragment of the sub-continent. The prospect of the first enlargement spurred the founders to codify the level of integration achieved so far and formalise the Community they had created. In the mid-1980s, the experience of the second, and prospects for, the third enlargements underpinned renewed

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[7] Buchan and Colchester, Relaunching Europe; Sandholtz and Zysman, "Recasting the European bargain".
[8] Helen Wallace, "Making multilateral negotiations work", in William Wallace, ed. Dynamics, pp.213-228. Quotation p.222.

attempts at formal codification. The timing and content of the Single Act therefore had much to do with the imminent Iberian accession. Having considered a number of conclusions from observing the process of informal integration, the thesis will now turn to the period of formal integration.

Formal integration: 1984–1986

Europe–the Future represented the level and extent of formal codification which the Thatcher Government was willing to accept in mid–1984. It was not a widely available paper, so there is less need to discount its formal position for public posturing. But, at the same time, it probably did not reveal any UK bottom lines. In line with the experiences of different policy areas, the Government had prepared a blueprint for Europe's future development. Unsurprisingly, it stressed the internal market, technology and EPC, while remaining silent over social, regional and monetary policies.

For the purposes of this thesis, it provides a useful yardstick against which to measure the Government's performance in the process of formal codification in the subsequent intergovernmental conference. In the case of the United Kingdom, the text which the Foreign Secretary presented was an outline of original policy preferences. Even a cursory glance at the SEA reveals the considerable distance that the British Government would travel in order to cast a new bargain with its partners. This conclusion will consider the process by which member governments attempted to formalise differing experiences of informal integration and aspirations for the European Community.

The question which the second part of the thesis (chapters four, five and six) tried to answer was why the reform process set in motion after Fontainebleau resulted in an IGC which created the Single Act? Given the explicit British position encapsulated in Europe—the Future, why did the recasting of the Community bargain go further than the Thatcher Government wished? The answer to the first question is in fact in two parts. The simple response is that seven heads of government voted for an IGC. From Fontainebleau to Milan, the Thatcher Government had resisted such a conference. Through a misreading (or worse, a lack) of political intelligence, the Government allowed itself to be outmanoeuvred by an activist Italian Presidency. Once the latter had called the simple majority vote, Thatcher faced the threat of exclusion: she decided to stay in the game.

A more complex answer would focus on the preparatory stage which preceded the Milan summit. Chapter four of the thesis focused on the Dooge Committee and transition from informal integration to formal codification before the inter-governmental conference itself. This frame of reference marks a departure from existing analyses of the SEA, which have conventionally started after the Milan European Council and focused exclusively on the three-month IGC. These studies have missed one of the most important questions of the period, namely why there was an IGC at all.

Since the end of the Dooge Committee's efforts in March 1985, the Thatcher Government had made a credible case for reform without an IGC. Howe's Plan, floated at Stresa, for modest changes to the operation of EPC and for greater respect of existing decision—making rules, both without

touching the Treaty, appeared to gain ground before Milan. There, it would complement the new Commission's white paper on completing the internal market, which revealed that the Thatcherite revolution had already been 'exported' to the EC.

The Dooge process, however, had also revealed both areas of common ground and some real differences among the member states. The common ground demonstrated that all had interests in reform of the EC: in the desire to achieve these interests, even the most reluctant member state was likely to swallow a few changes it did not want. The various policy preferences were therefore ripe for issue-linkage to overcome the real differences. At the time, the chief strategic linkage was that between the internal market project and improved decision-making in the Council. This base was sufficient to allow the prospect of even greater integration and, by producing the Stresa Plan to accompany the white paper, the UK revealed that it had accepted the linkage.

Having briefly considered the importance of the Dooge Committee and the transition from informal to formal integration, the conclusions will now investigate the second question, regarding the 1985 intergovernmental conference itself. Despite descriptions of the IGC by other analysts, the hypothesis which Moravcsik advanced is the sole coherent, theoretical analysis of the bargaining process which created the Single Act.[9] 'Intergovernmental institutionalism' (as he named his hypothesis) argues for the importance of the ten governments and their policy preferences, but against the overall ineffectiveness of European institutions and trans-

[9] Even Wallace's "Multilateral negotiations" does not attempt a full theoretical inquiry, though this thesis agrees with much of her analysis.

national business interest groups. His conclusions challenge the neo-functionalist school which he stylised as 'supra-national institutionalism'. As a pioneering study in theory, it deserves the attention which it has received.

Upon close analysis, the intergovernmental institutionalist hypothesis has its limitations: to understand these, it is necessary to identify its key components.[10] The hypothesis rests on seven premises, grouped in three sets, covering the actors, agenda and bargaining process, as follows:

> 1. Governments are the sole actors in the IGC, whose process is strictly 'intergovernmental': the EC's supranational institutions and their members therefore play no real role.
>
> 2. For the same reasons as in number one, transnational business interest groups and other societal actors play no substantive role in the process of IGC bargaining.
>
> 3. The governments of the three largest states effectively set the agenda through their veto power under common accord: the SEA itself is therefore understandable from the bargain which Thatcher, Mitterrand and Kohl struck in line with their policy preferences.
>
> 4. The governments of smaller states, despite the common accord rule, have no effective control over the agenda: they are therefore obliged to accept sidepayments subsidiary to the main bargain. (Moravcsik allows only one exception to premises three and four: Denmark's adding social policy to the agenda.)
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> 5. Only the threat of exclusion, which Kohl and Mitterrand wielded during the bargaining process, obliged Thatcher to agree to extend majority voting to facilitate completion of the internal market.

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[10] The following conclusions were presented (slightly amended) as a working paper to the Second Pan-European Conference in International Relations, at the *Fondation Nationale des Sciences Politiques*, in Paris, 13-16 September 1995, as; Philip Budden, "Theory and the Single Act: the Limitations of the Rationalist, Intergovernmentalist Approach".

6. In the IGC, issue areas were discrete and unconnected: there was therefore no issue linkage during the IGC. (Moravcsik's only exception was the underlying bargain set out in premise five).

7. Bargaining did not 'upgrade' common positions: the lowest-common-denominator in the IGC was therefore the rule.

The conclusions of the thesis will demonstrate some of intergovernmental institutionalism's limitations for each set of premises (actors, agenda and bargaining process) in turn.

One might expect the actors involved in a truly *intergovernmental* conference to be governments alone: Moravcsik certainly appears right with regard to societal actors. Once the intensive, secretive bargaining of the IGC had started, most corporate and societal actors lacked the privileged access and political information to intervene regularly or effectively. There was simply no time or room for societal actors in the 1985 IGC. This is not to argue that a longer conference, such as the 1991 one which lasted a year (or the 1996 one which could be even longer), would not allow such actors to play more effective roles in the bargaining. Only a close study of these and other IGCs could explain whether the exclusion of such actors in 1985 was a function of an IGC's unique nature or simply a lack of time.

What is clear, however, is that, even when governments started bargaining over whether and then how to codify existing patterns of informal integration and their visions of 'Europe', actors other than state governments were involved. Both transnational political groups, such as the EPPG, and supranational office holders, for example members of the Commission and two EC Secretariats, played a role.

They were not signatories to the formal intergovernmental bargain, which was recognised by international law and made publicly available as the SEA, but they were influential players alongside the 'High Contracting Parties'.

The transnational party groupings exerted influence on the political leadership at the margins of the IGC bargaining process. The British Government was outside most of these party-political networks and so this case study cannot provide definitive proof of their importance. The evidence suggests, however, that the EPP exerted effective influence on Christian Democrat politicians at key moments in the IGC. Those outside the EPP-network certainly felt it altered governmental positions in substantive and, from the non-members' perspective, often in unhelpful ways.

The supranational actors enjoyed more direct influence over proceedings. The Commission, or rather the President and his core executive, was a player, even though not a High Contracting Party, in the IGC. Together they enjoyed two advantages over the member states. First, the Commission informally retained a right to initiate proposals. In any negotiation, the responsibility of drafting and re-drafting texts is a critical advantage. This was especially true for crafting majorities and isolating minorities, as detailed below. In much of the intergovernmental conference, the member states allowed the Commission to do this exactly as with normal EC legislation. Only in discussions of EPC did the Commission play a slightly less immediate role.

Second, the Commission was at the centre of the EC matrix. This meant it had an overview of all member state positions in all policy areas (aided by the links to national

governments of its transnational membership). With the help of its General Secretariat, the Commission also had unparalleled familiarity with the Community's Treaties, activities and possibilities for their reform. This gave it an advantage over heads of government and MFAs who had more restricted experience of the Community.

Often overlooked in discussions of the IGC bargaining are the supranational secretariats of both the Commission and Council. By their nature, they are self-effacing but their wide-ranging influence is known to practitioners in the field. As permanent bodies at the centre of the Community, they have experience of, and therefore familiarity with, the EC. As their advice is usually communicated to the public by Commissioners and the Council President respectively, it is difficult for the student of the period to identify specific contributions: informed participants, however, often referred to their pervasive background influence.

Turning now to the agenda, the 1985 IGC reveals that governments of both small and large member states could wield effective vetoes in an IGC, contrary to Moravcsik's second two premises. But even though all operated under the same common accord rule, not all 'vetoes' had the same weight. Larger states enjoyed a more general right of veto over the agenda, whereas smaller ones had only a limited operational veto. This is not the same as arguing that only the large had a veto or could influence the agenda.

In several cases, a veto's effect was hard to determine. If the member government applied it early enough and it worked, the veto was almost impossible to detect as the issue did not even reach the agenda. Such was the case with

defence cooperation in the 1985 IGC. The Dooge Committee had discussed such cooperation, revealing a large majority favouring a reference in the IGC itself: the Irish chairman had simply resorted to a footnote in the Committee's report. During the IGC, however, the Irish Government appears to have turned that footnoted reserve successfully into a veto of any such references: defence cooperation therefore failed to appear on the IGC agenda or in the SEA at all.[11]

From the 1985 intergovernmental conference, it appears that small states had a higher chance of keeping an item they opposed off the agenda than they did in adding an item which others did not want to the agenda. Whereas the Irish Government managed to block references to European defence, the Greek Government had difficulties in adding 'cohesion' to the schedule of policy areas under discussion. Only Greek determination to link agreement of all reform to securing such transfers ensured that cohesion entered the EC vocabulary with a future commitment to funding.

At the other end of the premise, it was clear that larger member states, even when combined, did not have complete control over proceedings. The example of the internal market's definition was the most obvious example. When the Commission revealed it intended to define the market as an 'area without frontiers' in the Treaty, all three large countries balked. The implications of such a definition, especially left to the ECJ's interpretation, could have been far more wide-reaching than they wanted. Despite their hostile reaction, the Commission retained its wording, with the support of a majority of smaller member states. One by

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[11] Interviews with Dooge and FitzGerald.

one, the larger states defected until Thatcher was isolated: she conceded in the endgame.

The preceding discussion reveals the weakness of the second two premises, but the empirical study in chapters five and six also suggests an alternative understanding of the 'veto' dynamic. Despite the formal commitment to common accord under article 236, there is only one real 'time of veto' in an IGC and that comes at the end. Before that point there are only 'threats to veto' which the other bargainers have to assess. An Irish threat over defence cooperation is probably realistic, that is the government concerned will probably be able to ratify the threat. A British threat to veto the definition of the internal market was less realistic given the Prime Minister's primary interest in securing the 1992 project. The validity of the threat, and therefore the potential veto, in these cases had as much to do with the likelihood of the threat being ratified as with the size of the member state wielding the veto.

As common accord only applied at the IGC's end, the state's veto was a blunt tool with which to shape the agenda. Instead, the construction of majorities and isolation of minorities informed proceedings to a much greater extent. If a majority opinion started to form around a Commission proposal on a given subject, those outside it faced stark alternatives. If a minority formed a credible rejection group, either through its size or ability to ratify the veto threat, it might be able to move the majority's position. If not, the minority's options were to accept the emerging common position as it stood, request minor changes to meet some of its interests, or seek redress in other policy areas.

As the majority could actively seek to 'buy off' half-hearted members of a minority with concessions, members of such minorities had to watch their allies in the rejection group closely. Unless guaranteed to stand firm, the marginal interest of each member of the minority was to settle with the majority and secure at least some of its interests. Facing such isolation did not affect all member states equally. Larger member states often commanded greater respect in such circumstances than smaller ones. A 'France' was therefore more likely to be co-opted into the majority on favourable terms than a 'Belgium', but even this was not guaranteed. Being isolated was not therefore a disaster, especially if the state's veto threat was credible, but it often proved a high-risk strategy.

On the bargaining process, Moravcsik's fifth premise contends that the only case of issue linkage (market/QMV) in the IGC stemmed from the Franco-German threat of exclusion. As chapter four revealed, this threat already underpinned debates in the Dooge Committee. Once Thatcher had decided to attend the IGC, the threat was no longer an operational tool. Had the UK caused the IGC to fail in acrimony, then the Franco-German axis might have revived it in 1986, but it was not a credible weapon in the second half of 1985.

Nevertheless, Moravcsik is right to stress the importance of the link between the internal market and improved Council decision-making. But the British Government had effectively conceded this point long before the IGC opened. Howe's Stresa Plan was predicated on such a linkage: the only difference was that the UK wished this to be by the informal means of extending QMV through European Council conclusions.

Turning to the last two premises, close study of the IGC reveals both that issue areas were neither discrete nor unconnected, and that common positions within issue areas were upgraded. These bargaining techniques are crucial to the 'supranational institutionalism' which Moravcsik dismissed: Helen Wallace has subsequently confirmed their importance to the SEA.[12] Even where the negotiating process relies on majorities rather than consensus, there has to be a means to bring the recalcitrant or isolated government to say 'Yes' to a proposal above the lowest-common-denominator in the endgame. The strategy of issue linkage, coupled with the tactic of log-rolling within issue areas, allowed the upgrading of common positions.

Issue linkage was crucial to the making of the SEA. The main linkage, that between the 1992-project and Council decision-making, both underpinned and predated the IGC itself, as mentioned above. But this does not exhaust the provisions of the Single Act: in fact, much of its distinctive content and later importance, especially to post-bargain spillover, stems from its other linkages. As with the informal process of integration, the act of linkage is not depoliticised or impersonal: it requires 'agents', often with competing visions of the best linkages.

During the course of the 1985 IGC, there were at least five identifiable attempts at issue linkage. The most obvious was the Dooge Committee linkage of the internal market and reform of Council decision-making which the Presidency adopted and pressed. Arguably the next most successful was the Commission's; that is Delors' 'pedestal' of the market, high

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[12] Helen Wallace, "Making multilateral negotiations work".

technology, cohesion and monetary coordination. All four issue areas became part of the SEA, though the latter was by far the weakest component. Howe's linkage from Stresa onwards and the French linkage from mid-October were both more modest (the former in scope and latter in depth) and less successful. Of member state linkages, perhaps only the Greek Government's linkage achieved its aims. By linking agreement on all other issues to progress on the cohesion dossier, the Greek link was indeed fruitful.

The creation of issue linkages, as with support for a specific reform, appeared to require only majority support. A minority could oppose the linking of certain dossiers and attempt to establish rigid borders between policy areas, but they were rarely successful where the majority held together. But issue linkage was also a way to co-opt a member state in a minority. If the isolated state was unwilling to accept the majority position in a first dossier, then the majority's efforts to meet its concerns in a second dossier, and explicitly linking the two, could often provide a way forward. The market/'cohesion' link certainly made the overall deal 'Yes-able' for the Greek Government.

The linkages in the proposed article 100a(3) between market liberalisation on the one hand and the protection of environmental, consumer protection, and health and safety standards on the other, were also important in forming a consensus in favour of the 1992-project. They succeeded both because an agent pressed for their adoption (the Commission and Presidency at different times) and because they met clear member state policy preferences. In certain cases, the links involved at least one area which a member government had

publicly opposed, for example Thatcher's acceptance of references to EMU and monetary cooperation.

These unexpected linkages often arose when politicians pressed for a political deal, without officials present. The need to resolve an issue, avoid the publicity of a Council breaking down without agreement or meet a head of government mandate to solve a problem before flying home can all create linkage where rational inspection of government positions would suggest it does not exist. These linkages can happen simply over lunch, at an informal weekend conclave, or when the ministers take the Council into *restreint* and most officials have to leave the room. To secure the final deals on the SEA at the Luxembourg European Council, the heads of government entered *super-restreint*. With political will, deals could be struck against the odds, and against the apparent disposition of policy preferences.

Coupled with the strategy of creating links between issue areas was the more modest tactic of log-rolling within policy areas. The latter ploy was less obvious from public domain material than issue linkage, but it was no less important to reaching a 'Yes-able' deal. In analysing the process of formal codification, it is important to disaggregate the codification of issue areas into their separate, integrative steps. The calling of the IGC by simple majority at Milan had secured the first step of integrative codification, namely the decision to alter the Treaty. Bargaining thereafter was about how far to go and in which directions, no longer whether to touch the Treaty text at all.

For each policy area, there were a number of integrative steps: having decided to revise the Treaty, the negotiators

had to bargain over how many steps to take. With the internal market, for example, the next stages in the process were to decide what legal base the 1992-project should enjoy, whether it should be justiciable by the ECJ, which articles should be amended from unanimity to QMV, how the internal market should be defined, what status the 1992 target date should have, how the EP should be involved, and which type of committee should manage the project's implementation. At first sight, the number of steps appeared likely to restrict the process of bargained integration. But, to the activist Presidency and creative Commission drafter, the variety of options was in fact an opportunity to indulge in log-rolling and craft a majority position above the lowest-common-denominator.

Log-rolling within policy areas clearly had its limits. Combined with creative issue area linkage, however, such log-rolling in otherwise unrelated dossiers induced minorities to accept the emerging common position. Issue linkage, log-rolling and the interplay of the two therefore permitted the elusive conditions for upgrading common positions. Without these techniques, intergovernmental bargains would indeed have been condemned to the lowest-common-denominator. But with them, the EC as a forum for bargaining allowed package deals of considerable complexity.

Even with these devices, the EC forum could not resolve all differences of opinion. Sometimes this was a question of a lack of time: the 1985 IGC effectively lasted only three months. More often it was an unwillingness to concede particular linkages. In these circumstances, the EC had a second form of linkage, stemming from its nature as an

institution locked into permanent and intimate negotiation across the board, unlike for example GATT or the G7. For the most difficult issues, the EC's nature allowed it the option of 'forward linkages'.

If the Presidency or Commission was unable to determine how to include an issue in a 'Yes-able' package or if the majority was simply unwilling to accept sufficient upgrading to bring the minority on board, forward linkage provided a respectable but low-cost means to settle. As all participants knew that the EC could return to a given issue if it so chose, the minority was often content with a political commitment, sometimes in the form of a declaration, to return to the debate at a later date.

The SEA included a number of such forward linkages, some more explicit than others. The clearest commitment was that to return to the issue of cohesion. The Greek Government had secured what it regarded as only minor improvements in the majority position, but accepted that this was the best on offer at the IGC. It therefore settled for the pledge to return to the issue, having set down a marker on the EC agenda that this was an issue of importance. The compromise was perhaps easier to accept knowing that when the EC returned to this issue, Spain and Portugal would also be members, thereby bolstering the Mediterranean, pro-cohesion minority. Outside of the EC itself, Title III's commitment (SEA article 30(12)) to return to reform of EPC within five years was also a specific form of forward link.

Less obvious forms of forward linkage existed where the IGC agreed to add new issue areas to the treaty, but only in a partial form. The commitment to economic and monetary union,

contained in parentheses only, was perhaps the weakest of these, but provided a base from which the Commission President could launch his campaign in favour of a single currency in the late-1980s. More substantial were the implicit forward linkages inherent in extending QMV to certain policy areas on the one hand and adding the EP to the legislative process (if only in a minor way) to new areas on the other. These linkages set up an institutional logic that the EP should have a role in all areas where the Council reached decisions by majority voting; a logic which some member states deny, and the EP argues, to this day.

In summary, the bargaining in the 1985 IGC, which led to the SEA, on the whole supports the analysis that the "role of package-deals based on positive-sum games" was the Community's "means of upgrading common interests".[13] Through log-rolling in specific dossiers, linking separate issue areas, forward linkage and the creation of majority-based common positions, the participants created a complex package of issues with which all could live. In the process, supra-national actors, such as the Commission and Council secretariat, played a crucial role in devising such linkages, while member states tended to pursue their specific interests and simply react to their initiatives. It also revealed that governments of small states were able to shape the agenda, and that large states were sometimes unable to block unwanted developments. These distinctive phenomena influenced the shape and content of the SEA as an interstate bargain.

The bargaining therefore appears closer to the 'supranational institutionalism', which Moravcsik dismissed,

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[13] Wallace, "Multilateral negotiations", p.224.

rather than the intergovernmental institutionalism he described. If the latter's seven premises had applied, then the resulting bargain would have been substantially different. Increases in QMV's scope would have been minimal, environmental policy would have been more restrictive, the EP's powers might have remained unchanged and there would probably have been no references to monetary cooperation, let alone EMU. Several governments would have preferred such an outcome, but proved unable to secure it.

In short, the intergovernmental institutionalist model would have mispredicted the final package put to the heads of government at the December European Council. From the policy-making perspective, such a model would not therefore have been reliable. If Thatcher had met her advisers three weeks before the European Council as she usually did, their advice based on intergovernmental institutionalism's premises would have proved misleading.[14] A British negotiating strategy based on premises of large state vetoes, the absence of issue linkage and the primacy of lowest-common-denominator bargaining would not have produced optimal results.

Instead, negotiations within the EC were much more fluid. In the 1985 IGC, bargaining was not just the rational resolution of static national interests. The process was instead dynamic and encompassed a whole range of other factors. These included above all an element of uncertainty, especially where intelligence of other governments' intentions and bottom lines was limited. There was also room for both skilful negotiating and less inspired choices about strategies to pursue, with space for human interaction,

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[14] Dickie, Inside the FCO, p.156.

creative drafting, bureaucratic inertia and the 'cock-up' element of any human endeavour. To complicate matters, the European arena included extremely active non-state actors.

Apparently against the odds, the ten EC governments struck a wide-reaching bargain. The British Government had never wanted such extensive reform, but the Italian Presidency had outmanoeuvred it at Milan. The Government had also opposed Treaty revisions, but it reluctantly accepted them. In 1986, it had to schedule parliamentary time to give legal effect to an SEA it had never wanted. As such, the Government had to paint the best picture possible to its backbenchers. It was therefore unlikely to admit areas where it had been forced to accept reform against its better judgement. Only a close study of events allows glimpses, behind the rhetoric and defensive briefing, of the bargaining process.[15]

Concluding summary

The Introduction of the thesis opened with both a historiography and review of the theoretical analysis of the making of the Single Act. Most of these earlier works, both detailed policy studies and more theoretical analyses, did not differentiate between formal and informal integration.[16] As this thesis demonstrates, however, there are important differences between the two processes. The actors and nature of their interaction varies considerably between the two stages. The historiography also reveals the self-publicity

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15 Some of the UK's 'reluctant concessions' might have been tactical: evidence for 'building negotiating fat' into the opening position is not yet available. The thesis can therefore only compare the revealed positions.

16 Wallace's Transformation is one exception.

of those involved. The student of the period must therefore be cautious in approaching such narratives and remember their subjective origins and primary political purpose.

The Commission (Delors in particular), the EP and various corporate actors stressed their own role in the process of integration. Member state governments equally focused on their own, quasi-*Realist* perspective on events. Not only did each participant view Puchala's 'elephant' from a different angle, but each believed their own unique view was right. In retrospect, each captured something of the essence of the processes at work. With hindsight, the thesis has attempted to portray a fuller, more rounded picture, if only from the perspective of one member state.

Turning now to the theoretical debate, the thesis agrees with Pryce, Wessels and Helen Wallace that the insights of revised neo-functionalism had been "unfairly ... consigned to the dustbin".[17] But it also agrees with Sandholtz, Zysman, Moravcsik, George (in his structuralist paper) and the inter-dependence theorists generally that the underlying shifts in the world economy and relative competitiveness of national economies were crucial to understanding the SEA's making. The two schools come together in the model of the disaggregated west European nation state. Societal actors mediate between structural, economic shifts and the political agents of the state. This occurs through societal actors lobbying politicians and bureaucrats directly, or through state actors noticing their policy levers no longer influence societal actors in a familiar manner. The former act as a 'transmission belt' between the state and global economy.

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[17] Pryce and Wessels, "Framework", p.2.

Given the economic integration of the west European market and the importance of transnational business groups, the belts run diagonally and horizontally as often as vertically.

Societal actors, especially business interests, also adapted to the structural changes independently of states. In the case of the internal market and ESPRIT projects, the corporate process of rationalisation through mergers, acquisitions and expansion encouraged a regional dimension to their planning. The 'partially implemented commitment to unity' for business interests was the promise of a common European market. They therefore came to press for the necessary political integration to sustain an internal market, while themselves creating the economic preconditions through their own self-interested behaviour in that market.

The thesis also struck a balance between the neo-functionalists and Mitrany's functionalism. The EC is effectively a dense, transgovernmental matrix, linking complex member states with supranational and transnational institutions. This is much closer to Mitrany's system of functionally-integrated states than it is to Haas' political community transcending the nation state. Of course, the EC is a regional rather than a universal body, but this does not undermine the relevance of Mitrany's analysis. His work deserves to be read more often alongside the 'federal-functionalism' of Haas, Lindberg and Scheingold.

Returning to the theoretical debate over the making of the SEA, it is clear that the empirical evidence fails to verify either of the two contending theories alone, namely neo-functionalism or, neo-*Realism*'s successor, institutional intergovernmentalism. Instead the thesis reveals the limited

applicability of each at different times and in different policy areas. In retrospect, the analysis of Sandholtz and Zysman was more appropriate to the earlier (informal) period, whereas Moravcsik, Keohane and Hoffmann were more applicable to later (formal) developments. Even then, they cannot answer all the questions the events of the mid-1980s pose. Instead a plurality of descriptive analyses, rather than one grand theory or the other, appears to offer the most complete approach to explaining the process of regional integration in western Europe.

The thesis focuses only on one member state and only over a relatively short period. It is therefore unwise to extrapolate a new theory of integration from such modest empirical evidence. Coupled with a disaggregated model of the nation state, however, the thesis suggests that both interdependence theory, functionalism and neo-functionalism have a role to play in explaining the process of informal integration, spillover and policy preference formation. In periods of more formal integration, particularly the process of codification, elements of both supranational and inter-governmental institutionalism are required to explain the process of bargaining. Whether this EC process is unique in the diplomatic world will have to await further study.

Below the IGC, whether national governments favoured or opposed formal integration appeared almost irrelevant to the processes of administrative interaction and social and economic integration that were slowly transforming the nature of the west European nation state. A government's orientation towards regional integration is still important, as governments are responsible for codifying patterns of

informal integration or not. But most developments continue independently of governments and do not require their sanction. This is not to argue that the nation state is finished as the primary source of citizen loyalty, political legitimacy and economic regulation. But the context in which governments operate and the rules by which states cooperate within the European arena appear substantially different from those that obtain elsewhere in the society of states.

In retrospect, many underestimated the importance of this curiously-named bargain - the Single European Act - at the time. It subsequently played a major part in relaunching the economic and political fortunes of west Europe's Community. The Dooge Committee, intergovernmental conference itself and creation of the SEA all took place in the eighteen month 'window of opportunity' between the Fontainebleau (June 1984) and Luxembourg (December 1985) European Councils. For a year and a half, the member states suspended differences over the EC's agricultural and budgetary arrangements to focus on reform for the future, rather than revision of the past.

The longer-term importance of the SEA also lies in the future, given its forward linkages and post-bargain spillover. These include links to 1987's 'Delors I package' which in turn paved the way for the February 1988 'agro-budgetary' deal at the Hanover European Council. This new bargain completed a stage in the reform process in which Fontainebleau had proved only a temporary solution. The rising tide of the internal market project carried the EC's environmental, regional and social policies with it. Meanwhile, the removal of national frontiers focused more attention on currency fluctuations as a barrier to trade.

Delors' initiative based on the new Treaty-based references to EMU and monetary coordination, coupled with the informal integration of the European market, paved the way for an intergovernmental commitment in 1991 to allow for the creation of a single currency before the end of the decade.

The Maastricht TEU is itself an interesting case-study of forward linkage and codification. Only six years after Margaret Thatcher had determinedly resisted the move to a 'European Union' during the SEA's making, John Major conceded the creation of a form of 'Union'. In 1991 the British Government also accepted the replacement of EPC with a commitment to a 'common foreign and security policy'. Both issues had been strictly taboo in the 1985 conference: both were conceded in the 1991 IGC. (The same may prove true for the taboos of 1991 during the 1996 IGC.) As Keohane and Hoffmann admitted, the SEA unleashed new process of informal integration and spillover: along with the collapse of the east European bloc, these clearly had an impact on the policy preferences of both member states and societal actors in the later-1980s and early-1990s. Ultimately they informed the formal process of codification which created the Maastricht Treaty on European Union. But precisely how this happened is another history.

END

Appendix

Europe - the Future[1]

INTRODUCTION

1. At the European Council in Stuttgart an ambitious programme was decided, involving a review of almost every aspect of the Community's activities. The negotiation has not be easy; and that is not surprising. There will continue to be arguments over priorities and the allocation of resources. That would be true even in a full-fledged federation. The Community progresses by the process of argument and discussion necessary to resolve its differences.

2. The Community is now close to agreement on the issues determining the course of its future development. Some progress has been made towards financing Community activity in the longer term and establishing a fairer balance of contributions. Some steps have been taken towards limiting the future costs of the agricultural regime. The Ten have agreed to work on a series of new policies to promote the economic, social and political growth on which their future well-being depends. The negotiations remain to be completed. Their completion will enable the Community to concentrate on longer term objectives, and on responding to the needs and aspirations of its 270 million inhabitants.

3. This means giving greater depth to the Community in both its internal and external activities. The European Community, which has the largest share of international trade in the world and the immense benefit of the ingenuity of its peoples, and of the diversity of its economies, has only just begun to take advantage of its great potential. The Common

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[1] The British Government circulated Europe - the Future, this policy paper, to its European Community partners in May 1984. It is now public domain, but most readily accessible in JCMS, 23 (1984), 73-81.

Market is a means to an end, described in the Treaty itself as, "a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living".

4. The Community's energies must also be turned outwards so that we can:

(i) create the sense of common purpose and momentum needed to hold together a Community of twelve;

(ii) defend our collective interests in an increasingly troubled world;

(iii) fulfil our international responsibility to the causes of freedom, democracy, prosperity and peace.

5. If the European Community is to be effective in the world, it must be effective in the national life of each of its Member States.

6. If the problems of growth, outdated industrial structures and unemployment which affect us all are to be tackled effectively, we must create the genuine common market in goods and services which is envisaged in the Treaty of Rome and will be crucial to our ability to meet the US and Japanese technological challenge. Only by a sustained effort to remove remaining obstacles to intra-Community trade can we enable the citizens of Europe to benefit from the dynamic effects of a fully integrated common market with immense purchasing power. The success of the United States in job creation shows what can be achieved when internal barriers to business and trade come down. We must create the conditions in which European businessmen too can build on their strengths and create prosperity and jobs. This means action to harmonise standards and prevent their deliberate use as barriers to intra-Community trade; more rapid and better coordinated customs

procedures; a major effort to improve mutual recognition of professional qualifications; and liberalising trade in services, including banking, insurance and transportation of goods and people. If we do not give our service and manufacturing industries the full benefit of what is potentially the largest single market in the industrialised world, they will never be fully competitive at international level, and will be unable to create much needed jobs within the Community.

7. At the same time we must do more, and work harder, to make actions undertaken within the Community relevant to the lives of our people. A sustained effort will be required further to simplify and speed up customs and other formalities affecting the ease with which our citizens can travel across intra-Community borders. We should aim, for example, to allow European citizens to travel as freely and cheaply as the inhabitants of the United States. Important steps could be taken in that direction by increased competition and the de-regulation of air services.

8. The Common Agricultural Policy has succeeded in the objective of providing Europe with a strong agricultural base. Remarkable increases in productivity have been achieved. The preservation of the best elements of that policy requires a continuing effort to correct the distortions which manifest themselves in the form of massive and costly surpluses of certain products, imposing high storage costs and the need to dispose of them in ways which complicate trading relations with our OECD partners and are impossible to defend to our own citizens and tax payers. An important and courageous effort has been made to control surpluses in the dairy sector. A sustained, multi-year effort will be required to achieve a better balance between production and demand, thereby releasing resources for other purposes.

9. For in the next decade equal priority must be given to creating the right conditions for the development of a vigorous, efficient and cost effective industrial sector able

to compete with the United States, Japan and the newly industrialised countries. To this end, we need to examine urgently whether more can be achieved, or can be achieved more economically, by action on a Community basis rather than nationally. Better cooperation on research and development will help avoid duplication and waste. In some cases Governments can cooperate directly to encourage industrial activity at European levels -- as in the case of Airbus, ESPRIT and JET. The Commission has suggested that the Community now look at possible programmes in telecommunications and biotechnology. We should examine these and similar proposals carefully to see whether they will be more effective at the Community level. In doing so, we should give high priority to facilitating collaboration at the industrial level. Member Governments must act to limit the administrative and legal impediments to risk-sharing and investment, in order to allow European firms to compete and cooperate in a way which will enhance their ability to match the performance of their competitors.

10. Creating the right conditions for economic growth without due regard for the wider interests of our environment of our consumers is not acceptable. The peoples of Europe must feel that the Community improves the quality of their lives. Many environmental problems require action going beyond the capabilities of individual Member States. They have to be tackled on the basis of serious analysis of the scientific evidence and with due regard to industrial costs and efficiency. This is an area in which the Community has an important role to play. The United Kingdom has already suggested that decisions should be taken urgently to bring about the elimination of lead in petrol. It is also time for a programme of research aimed at finding solutions to the problems caused by acid rain, and for controls on trans-frontier shipments of hazardous waste to continue to be developed.

11. At the cultural level, we should examine whether Governments cannot do more to encourage the learning of other

Community languages. The European Foundation could play a useful role in this and in developing professional exchanges. Full access to each others' satellite broadcasting systems would help the process of cultural interchange in an eminently practical way of direct concern to mass audiences.

12. This process will require political direction. We should agree in the European Council that each Member Government should examine its priorities and policies in sectors covered by the Treaties in order to see in each case whether greater progress could be made by a cooperative approach at the Community level.

A FLEXIBLE EUROPE

13. The European Communities, with their corpus of institutional and legal structures, and their own resources, are and must remain the framework within which Community law applies. Action undertaken in the Community framework must continue to be on a basis of equal rights and equal obligations. But a certain flexibility of approach may be necessary in the coming decade, when the Community will have become larger, its membership more diverse, and in some areas of technological development, the industrial structures and interests of Member States more varied. For such practical reasons, it may sometimes make sense for participation in new ventures to be optional. This should not lead to rigid distinctions between different groups of participants. That would be particularly disillusioning for our new members who expect to be joining a democratic and homogeneous Community. Where ventures are launched by Member States with limited participation, it should be open to others to join in as and when they are able to do so. The possibility for action financed by the Community or with Community law as its legal base should be examined before it is decided to proceed on a more limited basis. The progress of all such work relevant to European integration should be monitored and open for discussion in a suitable high-level forum.

EUROPE IN THE WORLD

14. It must be our objective to aim beyond the Common Commercial Policy through Political Cooperation towards a common approach to external affairs. Such a policy can only be achieved progressively: it must nevertheless be the aim before us.

15. The Community and its Member States already have at their disposal many of the elements for a common external policy. It is linked to other Western European countries through the EEC/EFTA agreements. The Lomé Convention binds the Community in a contractual relationship covering aid and trade with 64 developing countries. The Common Commercial Policy governs its trade relations with the rest of the world. The Community takes common action in international economic organisations. There is the network of Association and Cooperation agreements both with individual countries and with groups such as ASEAN and the Andean Pact. The growth of Political Cooperation enables the members of the Community increasingly to adopt common positions on world problems and to vote together in non-economic international bodies. Our aim for the future should be to bring about a greater coherence between these different elements. In that way a common external policy could be progressively achieved.

16. The US will remain central to European security and the management of East-West relations, and no less so in the management of the problems of the world economy and trade. Our task must be to ensure that Europe plays no less central a role in all those respects. By common action of the Community and the Ten, Europe must impress on the US that unilateral American action, e.g. on technology transfers, extra-territoriality, unitary taxation and, above all, protection for US industries will put the success of Alliance consultation and coordination at risk. Equally we must be ready in Europe to make progress towards the liberalisation of our trading practices, and to play a full part in strengthening the GATT trading system. Mechanisms for

consultation and coordination between the Allies are already in place. What we need is the will on both sides to use them to get results: bilaterally, within the Alliance, and on behalf of the Community and its Member States.

17. Europe is more than Western Europe alone. By the end of this century we could see the Soviet Union with increasingly serious economic difficulties and growing problems in East European countries, illustrated by the level and intensity of their political contacts with them. They should reflect on the special status this gives them, and on the scope it offers for a more coordinated approach on wider questions, e.g. the encouragement of a more differentiated economic and social development in Eastern Europe. Steps of this kind will strengthen the European political entity and enable it to act more effectively in relation to the major international issues which legitimately concern it.

18. The Community must also use its weight to influence the other major industrialised economies to shoulder their share of responsibility for the world economy: the United States by paying more attention to the international consequences of its domestic economic policies, and Japan by integrating its financial markets into the world economy and raising the level of its manufactured imports to one comparable with other industrial democracies. The Community must act jointly with these major trading partners to promote the further liberalisation of international trade and to extend the open trading system, including a well-prepared new GATT trade round. This would bring the many varieties of developing countries more effectively into the world trading system, and persuade the more advanced among them to take more responsibility for its good management. Our performance so far in encouraging development in the Lomé countries, in South-East Asia, in Latin America, and in many other countries through our food aid and non-associates programmes is commendable. But there is room for better coordination between Member States, the Community and other donors to

secure maximum political as well as developmental effectiveness from our aid.

19. In *Political Cooperation*, the Ten need to act with more vigour and greater purpose. Cooperation should not just be a matter of making declarations in the face of increasingly complex challenges. The Ten have the weight and must show more political will to *act* together: concentrate their efforts where their leverage is greatest and their interests most directly touched e.g. in the Middle East and Africa; and recognise that influence does not last if not backed by the necessary resources. Member States must take more seriously their solemn commitments to consult and take account of partners' views and work for common positions. The objective should be the progressive attainment of a common external policy.

DEFENCE AND SECURITY

20. Our objective must be to strengthen the European pillar of the Alliance and improve European defence cooperation.

21. Europe already carries a heavy defence burden within the Alliance -- although some of its members take a greater share of that burden than others. It contributes to security both on this Continent and in the wider world by a variety of political and economic as well as military instruments. This contribution is far greater than is understood in the United States. If such views are not corrected, the temptation will grow for America, under pressure from the Congress, to look more toward interests outside Europe. Yet the US strategic commitment to Europe will remain an irreplaceable guarantee of Western security. If we wish to preserve it and ensure that our views continue to be given due weight by future US Administrations, the European Allies must find answers to some difficult questions: Are we able to take on a larger share of the responsibility for our defence? How should we respond to renewed public questioning of defence policy? Or the need to

develop new technologies at a time of rising costs and resource constraints? The answers make it evident that such problems have to be tackled jointly.

22. Most work to coordinate European positions on this so far has been done in the NATO framework, particularly in the Eurogroup and the IEPG (which has the merit of including France), and there is still more that could be done to exploit the potential of these groupings. We must continue to work for the implementation of the Genscher/Colombo Solemn Declaration of 19 June 1983 which provides a helpful reaffirmation of the Community's political and economic objectives. But if we want early progress -- and an early chance to demonstrate our seriousness -- we must be willing to look at new openings including those offered by the WEU.

23. Procedure and new organisations are no substitute for content and action to solve existing problems. We have to be prepared to make efforts before we can pool them. Progress demands in particular that we focus on the resource allocation and defence industrial aspects of the problem. We should be able to achieve better value for money by common procurement and collaborative manufacturing projects, recognising (as past experience has always shown) that this process will give rise to very real political problems and difficulties for which there are no facile solutions. Individual projects are probably best organised on a case-by-case basis between those member countries with the capacity and wish to undertake them, making use of the framework of the IEPG. But the general prospects for them could be greatly improved by progress towards a more integrated European industrial and technological base, and by strengthening the Community's internal market. These are areas of proper Community concern which need our urgent attention.

ORGANIZATION AND INSTITUTIONS

24. There are several areas in which specific improvements can be made. With regard to the Community:

(a) The *Commission's role* is central to the functioning of the Community. It is crucial that it should attract, and that Member States should appoint, individuals of the highest calibre with a clear recognition of the tasks to be done. After enlargement the Commission still needs to be able to provide real jobs for people of the best quality. A Commission of 17 is liable to be too large for efficiency or to provide all members with serious portfolios.

(b) The Presidency also plays a key role in the management of the Community's business. Its effectiveness would be enhanced by *greater cooperation between the Presidency in office and the preceding and succeeding Presidencies*.

(c) An early European Council should consider adopting a new procedure under which each year the European council would adopt a *brief and succinct statement of priorities*, with specific timings and targets, which would form the basis of the Community's activities for the following 12 months.

(d) When the Commission reviews its *legislative proposals* each year, there should be a thorough weeding out of hopelessly blocked items and unnecessary cases of obstruction brought to the notice of the Council.

(e) The *voting provisions* of the Treaty must be fully honoured. Unanimity must be respected in all cases where the Treaty so provides. The same applies for majority voting. At the same time, Member States must be able to continue to insist where a very important national interest is at stake on discussion continuing until agreement is reached. But they should be required in each case to set out their reasons fully.

(f) The *European Council* should eschew the role of Court of Appeal from the Council. Its true and irreplaceable task is to provide strategic direction and political impetus for

all areas of Community work and Member States' cooperation. For this, it might be enough for it to meet no more than twice a year, perhaps for two full days. Alternatively, one of the three annual meetings might be conducted on a more informal "Gymnich-type" framework without advisors. The primary responsibility for preparing European Councils should rest, as it does now, with Foreign Ministers.

(g) In a grouping of democratic European states the directly elected *European Parliament* must reflect with increasing responsibility the preoccupations and priorities of our peoples. Through the various procedures set out in the Solemn Declaration of June 1983, the Council and Member States need to work out ways of keeping the Parliament better informed, responding to its suggestions and bringing it to work in greater harmony with the main decision making institutions of the Community.

(h) Once the post-Stuttgart negotiation has been completed it should be possible for Member Governments to take common action to *present the Community to their peoples in a more favourable light*. It is important that people should receive an objective picture of the present state of European integration. It would be desirable for Foreign Ministers, at an early informal meeting, to discuss this question and, if possible, to agree on some common themes for Governments to put forward in their presentations of the Community and of the issues under discussion in it.

CONCLUSIONS

25. The European Community and the Alliance jointly have brought an unprecedented period of peace and prosperity to the peoples of Europe. We cannot rest on the achievements of the post-war generation. Over the next decade Europe will face new economic and social challenges, and a continuing threat to her security.

26. Periodic expressions of pessimism about the future of the Community have never turned out to be justified. Europe needs to advance its internal development. The progress that has been made towards "an ever-closer union of the peoples of Europe" of which the Treaty of Rome speaks in its first paragraph is unlikely to be reversed.

27. The objectives now must be to:

---- strengthen democracy and reinforce political stability in Europe. This means bringing to a successful conclusion the accession negotiations with Portugal and Spain;

---- develop a dynamic society in which industry thrives and activities which create wealth are encouraged. To do so, we must complete the internal market, particularly in the services sector;

---- strengthen the European pillar of the Alliance and the contribution Europe makes to its own security;

---- promote policies which will improve the quality as well as the standard of life in the Community;

---- with due regard for the needs of economic and industrial efficiency, do more to promote the improvement and protection of the environment;

---- agree urgently on certain organisational423 changes;

---- adopt policies which will guarantee the relevance of the Community to the problems, particularly unemployment, which affect our societies;

---- take the necessary steps to strengthen the voice of the Community and make its influence felt in the world;

---- heighten the consciousness among our citizens of what unites us.

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At the request of many of the current and former officials, of several nationalities, who kindly gave me their valuable time, I have not ascribed specific comments or insights to individuals: their contributions were nonetheless invaluable. Thanks in the UK go to Stephen Wall (FCO/ex-No.10), Michael Jay (FCO/ex-Cabinet Office), David Hannay (ex-FCO/UKRep), Michael Butler (ex-FCO/UKRep), Charles Powell (ex-FCO/No.10), Brian Bender (Cabinet Office/DTI), Nigel Sheinwald (FCO/ex-UKRep), and David Bostock (HM Treasury/UKRep), among others.

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