

# Twenty Years On: The EU since the Fall of the Berlin Wall

Leon Brittan  
David Hannay  
Jan Zielonka  
Senior Experts group

**i**ICES Occasional Paper 02

Institute of Contemporary European Studies



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## Foreword

### Identifying Europe

Michael Scriven

The twentieth anniversary of the fall of the Berlin Wall on 9 November 2009 was a highly appropriate and symbolic moment on which to review how far Europe has travelled since 1989. Indisputably, the nature of the EU in 2009 is very different from what it was 20 years ago geographically, economically, socially and politically. Following the collapse of Soviet communism, the ensuing enlargement process in Central and Eastern Europe, the development of the single market and the establishment of the euro, the EU has acquired an entirely new identity. The significant achievements over this 20 year time frame, the basis on which this new identity has been constructed, need none the less to be placed in the context of a continuing lack of understanding of the EU and increased scepticism towards Brussels among the public at large in 2009.

What follows is the published record of the speeches delivered by three exceptionally well qualified and experienced commentators on Europe at an iCES-Senior Experts joint seminar held at Regent's College on 27 October 2009: Lord Brittan of Spennithorne QC [European Commissioner for Competition 1989-1992; and for External Trade 1993-1999; Vice President of the European Commission 1995-1999]; Lord Hannay of Chiswick [UK Permanent Representative to the European Communities 1958-1990; UK Permanent Representative to the United Nations 1990-1995 and chef de cabinet to the Vice President of the European Commission 1973-1977]; Professor Jan Zielonka, [Professor of European Politics at the University of Oxford and Ralf Dahrendorf Fellow at St Antony's College; author of *Europe as Empire. The Nature of the Enlarged European Union and Democratic Consolidation in Eastern Europe*]. It also includes a background paper produced by the Senior Experts and distributed to all invited guests prior to the seminar as a stimulus to discussion.

Leon Brittan divided his comments between a review of changes to the EU itself and an analysis of actions taken by the EU in the exercise of its competences, focusing on enlargement, the euro, federalism and sovereignty, the European Central Bank (specifically its role in dealing with the global financial crisis), the single market and liberalisation, and the EU

and world trade negotiations. He highlighted in particular the growing challenges of localism, devolution downwards and the subsidiarity agenda whilst calling on Brussels to hand back to national governments powers legitimately acquired to carry out specific purposes, but which it no longer needed.

David Hannay examined what he referred to as the 'asymmetry between internal and external policy developments' in the EU. He emphasised the transformational impact on EU external policies not only of the fall of the Berlin Wall, but also of the enlargement process, increases in the economic scale of the EU, the growing collective strength of the EU in protecting national interests and the rise of the main developing nations, especially in Asia. His analysis prioritised four key external policy areas: to keep the accession door open to the Balkan countries, Turkey and the Ukraine, to develop coherent policies towards Russia, to progress in a proactive and constructive manner the Arab-Israeli issue and to give credibility to a policy of 'effective multilateralism'. The latter, he argued, would best be achieved through the promotion of positive contributions to the G20 and the UN and through a coherent European Security and Defence Policy.

Jan Zielonka, whilst agreeing with both Leon Brittan and David Hannay on the successes of the European Union, (most notably the enlargement process), turned his attention to what he perceived as the growing disillusionment with the EU in the minds of the citizens of Europe, the steady erosion of the 'permissive consensus' on Europe, and an over preoccupation with institutional engineering. Such a preoccupation, he maintained, ignored the concerns of people as embodied in politics, economics and culture, and was leading inevitably to a loss of legitimacy in which elites are increasingly detached from the electorate. He concluded tantalisingly on the need 'to find a new paradigm for working in a democratic way'.

What was productive in the ensuing debate and what seems to characterise the status of the EU in 2009 is a greater awareness of the need to bring these achievements more forcefully into the public sphere, to celebrate them more vocally and above all for politicians and technocrats to engage more effectively with the European public at large in order to dispel misconceptions and false assertions promulgated by a frequently hostile press. The consensus emerged that the way to do this was to move beyond abstract treaty declarations and constitutional

theorising and to engage in concrete work by doing things that had a positive impact on the lives of ordinary citizens.

The dialogue and debate at the seminar with over 20 interventions by different speakers raised a number of fundamental and contentious issues and illustrated the extent to which the way forward for Europe is not a given but must be constantly reviewed and re-negotiated. Although centred in one way or another on the underlying theme of an emerging democratic deficit in European affairs, notably in the wake of the enlargement process to Central and Eastern Europe, there were none the less disagreements of tone, emphasis and approach.

The majority were of the view that the EU was far less popular today than 20 years ago, and there was some level of agreement on the causes of this disaffection: an endemically hostile press and media, notably in the UK, together with the absence of a genuine European media space; the frequently abysmal level of understanding of the EU among the general public, partly as a consequence of unhelpful media coverage,<sup>1</sup> but also as a consequence of the failure of politicians to promote effectively the cause of Europe and dispel misconceptions; and the continuing over-preoccupation in Brussels circles with constitutional change and institutional engineering that have little relevance to the lives of ordinary people. A recurrent theme in all interventions was the need to focus on the practical rather than the abstract, on doing rather than talking.

Equally, the role of referenda was discussed as an ill-conceived and ineffectual manner of determining European policies and strategic direction. Some were of the view that there was a level of disenchantment with the EU arising from policy objectives being set too high at the outset leading inevitably to failures, whilst others commented that Europe should set its sights high without fear of failure. Some considered that having one Commissioner per nation state was a deep source of inefficiency, others that it was an expression of democratic engagement which legitimised the EU in the eyes of all Member States, large and small. Most considered that there was little pressure in 2009 for advancing towards a federal European state.

The question was also raised of the potentially damaging impact, particularly in the UK, of the change of brand name from 'European Community' to 'European Union'. At the same time the point was also made that in order to dispel the myth of an ever-growing EU state

apparatus, Brussels needed to take the initiative in handing back to national and local authorities those powers that it no longer needs, the task for which the powers were originally allocated having been accomplished.

Underlying all these comments appeared to be a cultural difference arising from those with values shaped in states emerging from the Soviet sphere of influence and entering the EU after the fall of the Berlin Wall, and those who have lived in the West European sphere of influence. It is perhaps not surprising that efficiency was considered less significant than democracy in those states emerging from the shadow of Soviet communism. A typical bone of contention in this respect, and one that was aired in this debate, was the question of whether enlargement to Central and Eastern Europe had led to a dilution of an original ideal or to an enrichment through a deepening of cultural complexity.

This issue is encapsulated in the problem of democratic and popular involvement in the process of European integration – the extent to which this can be left to technocratic elites to engineer solutions on their own, the extent to which solutions must involve the general public through practical engagement in the political process. There seems little doubt that debate and negotiated settlements are a pre-requisite not only to stimulate popular engagement but also and crucially in the final analysis to legitimise the process of European integration in the eyes of European citizens. Most agreed that the task over the coming years is not to devise ever more complex constitutional frameworks, but rather to create the conditions that will facilitate a growing dialogue on the future of Europe between the political class and the people. As Jan Zielonka observed: 'We have not even started this discussion yet'.

I will leave the final words of this introduction to Leon Brittan responding to a question inviting him to outline a vision for Europe over the next 20 years:

I think that we can have a European Union which is open to new members from Europe and shows it is by admitting them; a Europe that is open to the outside world and is a leader in opening up trade globally, a European Union that carries on further liberalisation for the benefit of its citizens, whether it is the area of services or whether it is other things, a European Union which tries to explain to its citizens what it is doing but relies on doing it rather than explaining it, a European Union which acts as a power in the world, not a military power but an important diplomatic

power that is able through the evolution of the institutions created in the Lisbon Treaty and beyond to speak with one voice and to look across the Americans, the Chinese and the Indians, and speak with single voice on important issues of the world.

If we do that, if we also show that we are prepared to hand back powers which we don't need any more, avoid trivialities, raise our sights, be open to the outside world internally and externally, create more liberalisation, do things that are for the benefit of the people, in areas like energy and security of supply of energy and climate change then, I believe, it is not unreasonable to hope that people will look at what we have done and not what we have said, and over a period of time appreciate it and be grateful for it.

This European vision articulated by Leon Brittan is an instructive counterpoint to those who question from a populist and grass roots perspective the relevance of the EU to ordinary people. It is also a visible and clearly identifiable alternative to defensive eurosceptic attitudes towards the European Union emerging from the shadows of the on-going global financial and economic crisis.

## Notes

1. For example, Lord Williamson highlighted the myth that the UK Parliament was being 'flooded with pieces of subsidiary legislation from Europe'. See in this respect the Senior Experts' forthcoming Briefing Note: 'The Extent of EU Legislation'.

Lord Brittan of Spennithorne QC  
Vice Chairman of USB Investment Bank



Lord Brittan is a British barrister and politician, member of the House of Lords and a former member of the European Commission.

He was the European Commissioner for competition from 1989 to 1992 and for external trade from 1993 to 1999. He was the Vice-President of the European Community from 1995 to 1999.

He served in the British Cabinet as Home Secretary from 1983 to 1995, Chief Secretary to the Treasury from 1981 to 1983 and later Secretary of State for Trade and Industry, a role which he occupied from 1985 to 1986. He is currently Vice Chairman of USB Investment Bank.

Lord Brittan is also the author of several political books on policy, law and European politics '*Defense and Arms Control in a Changing Era*' (1988) Policy Studies Institute, '*European Competition Policy*' (1992) Brassey Uk, '*The Europe We Need*' (1994) Hamish Hamilton Ltd, '*Globalisation versus Sovereignty? The European Response*' (1997) Cambridge University Press and '*A Diet of Brussels*' (2000) Little Brown.

## What Has Changed in the EU since 1989?

Leon Brittan

Ladies and Gentlemen I am delighted that this seminar is being held and delighted to have been invited to open it, although seeing the eminence of those sitting in front of me, with many old friends, I speak with a degree of trepidation. The background paper which you have all had is in my view comprehensive, balanced and admirable, so much so that I would call it a foreground paper rather than a background paper, and that enables me to give a selective, more personal, insight into aspects of the development of the EU rather than trying to be comprehensive.

For the first ten years I was at the centre as a Commissioner, the second 10 years a highly interested observer and commentator. And I would like to make a distinction between different sorts of new developments in that 20 year period, to make a distinction between changes *to* the EU and actions taken *by* the EU in the application of its competences.

As far as the changes to the EU are concerned, obviously reference has already been made to enlargement and that is the most relevant change to today's topic. And what I want to say is that this has of course been a huge success, this enlargement, it has produced both stability to part of Europe and Europe as a whole in a way that differs very radically from almost any other period of European history as far as Central and Eastern Europe is concerned, and also it has led until the last year or so to a huge improvement in the economy of the new countries. But most of all it is interesting that for all the criticism of the European Union it continues to be a huge pole of attraction with a list of countries as long as your arm wanting to join and having the prospect of joining as the central focus for their policy. All of that, I think, I suspect, would be agreed by everybody here.

What is interesting though, looking back on those last 20 years, is that it was not at all automatic that this enlargement of the European Union was going to happen in the way it did happen.

There was little overt opposition to it, but there was a great deal of covert opposition to it, and some of the most illustrious figures in the

European Union whom I will not name wanted to shunt off the countries of Central and Eastern Europe into a kind of second division and wanted them not to be full members because they were afraid that becoming full members of the European Union would dilute the original vision.

Quite apart from those who felt that, although they were reluctant to say it, there were also honest divisions about the modalities and the timing amongst those who actually did want enlargement, and I particularly remember the focus on the question of 'Who shall we start the negotiations with?' and having keen arguments with some of our Swedish colleagues, who were as enthusiastic on enlargement as I am. The question was, 'Focus most of all on the Baltic States, yes, but should we start with the one that appeared most ready, Estonia?' or 'would that be intensely divisive and should we wait until we have them all ready to start negotiations?'

I within the Commission argued strongly for starting with one, as soon as it was ready, on the basis that waiting for the train to leave the station when all were ready was a marvellous pretext for those who didn't want the train to leave the station at all. And also in so far as it caused jealousy and ill will amongst those who were not ready to start negotiations, as a true believer in competition amongst countries as well as companies, the spurring-on effect of starting negotiations was going to have a much more beneficial effect on those who weren't ready, getting them to get a move on with their reforms, than the damage effect of jealousy and ill will. So that is what we did, but it was by no means clear that that was going to happen and that it was going to happen that way.

One of the things that I believe was very indicative and illustrative and has a broader relevance, even than the huge topic of enlargement, is that one of the most valuable techniques of getting progress in the European Union is the technique of shaming. What I mean by that is, that if there is a political objective which everybody feels committed to supporting in principle, although actually they are rather unhappy about it, the thing to do, for the Commission in particular, is to say, 'well you are all in favour of this, you said so, and now we will produce a practical detailed plan which will tell you what you have to do to give effect to what you theoretically say although we in our hearts know half of you really don't want it'. And this technique of taking you at your face value and saying, 'that is what you say you want, let's get on with it, this

is what you actually need to do' I think is a much undernoted and under-recognised one as far the development of the European Union is concerned.

The second main change to the EU in the last 20 years has of course been the creation of the euro, and again looking back on it there now seems a certain automaticity to it. But that again was far from the case, it was a unique event, literally unique. I don't like people who say, this is one of the most unique things to happen, with three other ones, because I have sufficient respect for the English language to think that unique means unique and not one of a few. This was unique in the sense that it has literally never been the case that a single currency has been created involving a group of countries who remained countries and are not parts of a federation or parts of a larger whole. But it was done. And also I remember very well, looking back on that period, that there were predictions, not just from dyed-in-the-wool eurosceptics but from others, that if you apply the Maastricht criteria very few countries would qualify. I remember at one point there was a study which was not complete nonsense which suggested that the only country that would actually qualify would be Luxembourg and you could not have much of a monetary European Union with only Luxemburg.

So that was what was first said, then it was said that the whole thing was just too much for the European Union to be able to do administratively and because the economic consequences are so important I think we underestimate that aspect. I think it is appropriate looking back to stress that the sheer administrative achievement of introducing a single currency in one day, for the countries that joined it, is something which shows that the European Union can do big things as well as little things. I myself thought that without any sort of political thought behind it there would be, I don't know, villages in Sicily where people would be hopelessly confused for quite a long time and I was astonished that the actual physical introduction of the euro went as smoothly as it did, which shows a great deal for the capacity of the European Union actually to make a very, very major change of that kind, and to do it efficiently, which I fear is not the adverb that is mostly commonly applied to the activities of the European Union today. And there was no chaos, there was no resentment, and the European Union found itself, at least part of it found itself, with a single currency which was established quite rapidly and which has now got a growing position as a reserve currency - not of course as great a reserve

currency as the dollar, nor is that something that we should aspire to, because it is not to be regarded as a trophy but as something which may or may not happen and it has disadvantages as well as advantages. But I think that it was a formidable achievement at its creation, and its maintenance is similarly so.

The CSFP I have agreed to leave to David Hannay to deal with, but a development in the European Union which was less noted than either enlargement, or the creation of the single currency, is one which I obviously have a slight bias to. That is the creation of an effective merger control regime whereby the Commission gained the power to decide whether to allow or stop the most important mergers in the European Union, something of great importance commercially but also a major transfer of sovereignty from Members States to the European Union.

And it is worth pausing there to ask 'why did that happen?' I remember it was my first year in the Commission when this was brought to a head and it required unanimity, and final approval was given by the British government headed by Margaret Thatcher, and the Secretary of State for Trade and Industry was Nick Ridley, neither big enthusiasts for European integration at the time. It was in a sense the high water mark of federation, if you want to call it that, in that I can't think apart from the EMU of anything as major as that where there has been a transfer of power, if you like, to the European institutions. And so the question that one has to ask is why was that done? And the answer, which has relevance to the future as well as to the past, is that it was done essentially because the business community asked for it, wanted it, were fed up with going around to three or more different jurisdictions to get permission for a merger. So that even a government as unenthusiastic about the transfer of powers as the Thatcher government was, eventually said yes, and that I think was a very remarkable indication of the fact that where severely practical benefits can be pointed out it's surprising what even those who may seem politically unsympathetic are ultimately prepared to do.

But if that was in a sense the high water mark of federalism, there were many when I arrived in the Commission who seriously meant by an ever closer union just that, a European Union which may not necessarily become a single state but where the degree of integration would expand enormously. But one of the most interesting facts whether you like it or not, is that since then in the last 20 years for

those who had the dream of a federal Europe or of an ever closer union, that dream has waned and there is now a much more pragmatic EU in which successive treaties culminating in the Lisbon treaty have been much less supranational, if you want to use that word, than the Single European Act. So it has been interesting to see that there has been that huge trend alongside the major developments to the European Union that I have referred to.

Now I would like to turn, in order not to be too long, to the actions *by* the European Union in applying its competences, as opposed to the changes *to* the European Union.

And it seems to me that clearly one of the most important has been the operation of the European Central Bank in handling the single currency that was created over a large part of Europe. We've seen a very successful operation by the Bank before the crisis in controlling inflation, and since the crisis I believe in handling the current crisis, where the ECB has come out looking very very favourably to those who are reasonably objective observers, compared with other major central banks. And one has to ask oneself the question, if there had been no euro and no management by the European Central Bank what would be the situation of Italy, Greece, Ireland and Spain, today? I think pretty dire is the short answer without trying to sketch in detail the horrible consequences.

The other achievement I believe of the European Union in relation to crisis handling has been to handle the global crisis by concerted global action, concerted global action in expanding the national economies, action agreed by all but applied nationally. Here again I think there is broader relevance in that this is a common but little noticed model. Those who are enthusiastic about advancing the European cause and want directives and regulations etc, underestimate the importance of achieving consensus on policy which is then implemented in broadly the same way by national action. I regard that, when it happens, as being just as important a European achievement as when there is formal action through legislation or action by the European institutions. But of course it has a less high profile, and it is claimed less as a European advance, but is just as important and I think it is very important indeed.

If one looks then at the actions of the European Union as opposed to the strategic developments to it, advancing the single market and

liberalisation over the last twenty years is another one which one must at least mention, although it is sometimes taken for granted, and that has been a story which again was not automatic, and also advancing the single market and liberalisation are not exactly the same because it would be possible to have a single market which is rather autarchic towards the external world but in fact that is not what has happened. And I would just tell you, since we are looking back as well as forward, a little story. The late Karel Van Miert, whose sad and untimely death we all mourn, invited me to lunch when I first came to the Commission, as it were as the host Commissioner, the Belgium Commissioner, explaining to me how things worked, and he said to me: 'Have you been able to get your telephone installed?', so I said, 'As it happens I have'. 'Well' he said, 'if there was any difficulty I would get on to the Minister of Telecommunications who happens to be a member of my party and I think I'd be able to fix it for you'.

The fact that in 1989, you might have to have a Ministerial intervention to get a telephone fixed was an indication of how far one had to go in the liberalisation of one pretty important sector. And the fact that that sounds like ancient history and you probably may be reluctant even to believe the story, shows what progress has been made in the liberalisation of that sector, and the same is true as far as airlines are concerned and the European Union has been absolutely instrumental in that

Of course there is still work in progress, and the very inadequate services directive, as the background paper points out, is an example where there is still a long way to go and so we have got a lot of progress but a lot further to go.

As far as trade is concerned, which I took over moving from Competition, I was when conducting the Uruguay Round Negotiations, really conducting two negotiations, a negotiation within the European Union to reach a common line that we would take in the international negotiations for the liberalisation of trade, and a negotiation with the rest of the world, principally with our American friends. And I find it hard put even after all these years to say which of these negotiations was harder to conduct. We had a French position focusing on agriculture, extremely reluctant to move and others who took a different view, but the important thing is that we were able to reach a common line and when I completed the negotiation with Mickey Kantor and rang Jacques Delors and said, 'well this is what we have', he immediately

said 'fine'. And I was able to get it through the Council of Ministers. So it was an example of where Europe was able to act together to achieve together with the rest of the world a major global liberalisation of trade and where Europe was, I believe at least as much in the lead as far as liberalisation is concerned as the United States or anyone else.

If that wasn't demonstrably true as far as the Uruguay Round was concerned, it was most certainly true in the later less well publicised global liberalisation negotiations in the areas of financial services and IT products, where there was absolutely no doubt that Europe was prepared to go further and faster in the area of liberalisation than the United States or anyone else.

And then of course, as far as trade was concerned Europe played a huge part in a major change in the world picture by negotiating successfully Chinese membership of the World Trade Organisation, which for China was not just joining another global club but a huge part of their reform process and we were able again to reach united agreement on what we wanted, to reach agreement with the Chinese and the Chinese were able to reach agreement with the United States too and everyone else and that has been a huge part of the transformation of China.

Of course when one turns more recently to the Doha Round, things are going a lot slower and it is a long slog, remembering that it was the European Union as long ago as 1996 which first suggested that there should be a new trade round hot on the heels of the Uruguay Round.

But in spite of the very considerable achievements both to the European Union and by the European Union that I have outlined, there is no doubt at all, and we have to face up to it, that the European Union is less popular, less accepted now, at least within the European Union, although ironically not by those on its borders, than it was 20 years ago. And it was not just in the United Kingdom where we have seen the difficulties to getting successive pretty modest Treaties through.

Why has this happened? Well, partly because the central original purpose of preventing war has been achieved and is now seen as history if it is remembered at all by the younger generation; partly because so much time, effort and attention has been paid to constitutional change in successive Treaties, which to the ordinary European citizen looks a bit like contemplating one's navel and focusing

on that rather than on what you might actually do; and partly because you can't actually create a single market without having some degree of harmonisation of rules, which means that you change many national rules and that's never a popular thing to do and if the change is not obviously for the better it can be and is readily blamed on something called Brussels. So those are some of the reasons why the European Union is less popular and less accepted now. But I have a nagging feeling that that is not the whole story.

I think that the diminished popularity of the European Union is partly related to a much broader movement which we see all over Europe and elsewhere in favour of localism, in favour of devolution downwards, seen in different countries in different ways and to different extents. And therefore the biggest challenge that we now face is to make a reality of subsidiarity, which in the true sense of the word, means that decisions should be taken at the right level, at the level where they can achieve their effect best. Of course sometimes as in the case of the creation of the Single Market and EMU, that can be only achieved by action at European level. And that is true as far as climate change, security of energy supply and other more modern topics are concerned.

But when there are other things where it is possible to devolve power downwards I am not sure that we have actually in practice done so. We have made the argument but I suspect that that won't be enough. I think we have to change the image of the European Union as an institution always seeking and often gaining more power and look at it in a more functional way as an institution which wants to do what it alone can do and is ready to forego doing what it does not need to do.

Now to give effect to subsidiarity downwards by handing back power that is no longer needed does not mean that you are saying that it was wrong for the European Union to have taken power to the first place, only that in some cases the job has been done and power can be handed back to national governments. I believe that if you are able to create a situation in which there is a readiness to assume responsibility where that is necessary because something can only be done at European level, but also to forego it where it is no longer necessary, people's fears and anxieties about the gigantic leviathan would diminish and they would see that this was an institution capable of achieving and having achieved huge practical benefits and needing to achieve further practical benefits in areas such as climate change and energy security of supply and which we cannot do without. But to bring about

the attitude that I have just described will be quite a challenge for the mind set of those who have been running the EU for the past 20 years, and I hope we will be able to achieve that.

Thank you.

## Lord Hannay of Chiswick Member of the House of Lords EU Select Committee and Chair of the United Nations Association



Lord Hannay was a British Diplomat, and is now an independent member of the House of Lords.

He entered the Foreign and Commonwealth Office in 1959 and was a member of the UK's negotiating team for its accession to the European Communities, and chef de cabinet to the Vice President of the European Commission from 1973 to 1977. He was the under-secretary for the European communities at the Foreign Office from 1979 to 1984, and the UK permanent representative to the European Communities from 1985 to 1990. He was the UK permanent representative to the United Nations in New York from 1990 to 1995.

In his more recent roles he was a member of the UN Secretary General's High Level Panel on Threats, Challenges and Change. He was pro-Chancellor of the University of Birmingham from 2001 to 2006. Currently, he is the Chair of the Board of the United Nations Association UK, and a member of the House of Lords EU Select Committee. He has produced many speeches and publications on the themes of international policy, security, energy, European politics and the UN.

## The External Dimension to Europe's Policies

### David Hannay

It is easy enough to point out the inadequacies and weaknesses of the European Union's performance in the external policies field over the last twenty years. Indeed the background paper circulated for this seminar does just that in a number of instances. But, if you are going to do that in a responsible and objective way, you need also to pay attention to the distance the European Union has travelled in that relatively short space of time and to the undoubted achievements it has notched up over that period; and to be aware that, in these external policy fields, it started much further back than it did when dealing with its internal development. After all the European Community of 1989 already had a whole range of fully functioning internal policies – budget, agriculture, regional, social, competition; it was well on the way to creating a genuine, if imperfect, single market; and the idea of an economic and monetary union, including a single currency, was well over the horizon. But in the external policy fields, trade policy excepted, there was, at that time, little or nothing, a collection of acronyms – CFSP, ESDP – to which the Member States had so far been unwilling to give any real substance. The European Union's development up to that stage had been heavily asymmetrical, skewed towards internal affairs.

The fall of the Berlin Wall transformed that situation, as it did so many others. And, while the asymmetry between internal and external policy developments has not yet entirely disappeared it has diminished, as has the distinction between the two fields of policy – think only of climate change or energy security. Moreover four other important shifts have taken place, all of which require of the European Union more active external policies if its interests and those of its Member States are not to go by default. The first of these is enlargement, which has seen fifteen new Member States from western, eastern and central, and southern Europe join the club. This is no longer the tight little Western European Club of earlier years, living in the shadow of a bi-polar nuclear confrontation over which it had little influence and no control.

Some regret that change and wish it had never taken place. But it has; and it is not going to be reversed. The Europe we have now is approaching the totality of that geographical expression as the Treaty of

Rome originally made provision for, and it may one day reach it, with the almost certain exception of Russia which has shown no interest in joining and whose fulfilment of the Copenhagen criteria is far removed from current reality. The European Union has yet to draw the full external policy conclusions from that shift.

The second shift is one of scale. Even the Europe of Twelve was a substantial player in many fields of external policy – in trade and in aid for example. But the European Union of Twenty-seven is just too large in terms of population and economic activity to not be a part of every global policy equation and of most regional problems, particularly those in its neighbourhood. It can be an active player seeking to shape the outcomes, or it can be a passive player being pushed around by others. That is a policy choice. But it cannot realistically decide not to play at all.

The third shift is closely related to the second; the inability of individual European states to safeguard and further their own national interests acting on their own, already much diminished at the opening of the period we are considering, has now contracted further, in some cases like climate change it has indeed disappeared entirely.

The fourth shift is that phenomenon endlessly discussed in the media and by academics, the rise of the main developing countries, many but not all of them in Asia. So long as that rise continues, and it does look set to continue for the foreseeable future, albeit not at the pace and with the dramatic short term consequences that the more excitable commentators predict, then Europe is faced with a relative decline in its influence on events outside its borders. Again there is a choice between active and passive policy responses. Passivity is not an attractive option in these sorts of circumstances.

Such is the case for more active and effective European external policies in the period ahead of us. What should Europe's priorities be?

First we surely need to stop ducking and obfuscating the issue of further enlargement, hiding behind nebulous and not entirely honest concepts like absorptive capacity or the search for a geographical limit to Europe which our founding treaties did not seek to limit. Of course there are costs and inefficiencies in further enlargement. But surely the costs of refusing any further enlargement would be even greater? In the

Balkans we should not delude ourselves. If we cannot keep the accession door open, and Balkan countries moving towards and through it when they properly and objectively fulfil the criteria, then all the progress made since we extracted ourselves from the Bosnian quagmire in 1995 will be at risk; and that will be in our own backyard, with Europe bearing the brunt of the refugees, the illegal immigration, the organised crime and the general instability which could result.

Turkey presents an even greater challenge with, I would suggest, even greater benefits for a successful, if necessarily lengthy, accession process and greater risks from a failed one. Turkey is not going to accept the alternatives to membership proffered by its opponents. So long as it keeps its nerve I do not myself believe that its bid will fail. Our own, British experience shows that vetoes are not easy to sustain, particularly when they are not justified. And is it not high time that we opened the door at least a crack to the Ukraine? It is pretty clear now that NATO membership will remain no more than an aspiration for a substantial period. Surely an EU membership perspective is the best way to help the Ukraine consolidate its democracy and stabilise its economy?

Then, secondly, the European Union really does need to develop a set of policies towards Russia and to find an effective way of frustrating Russia's preference for divide-and-rule tactics. That does not require a confrontation; it merely requires unity behind agreed policy objectives. On energy policy it needs internal EU policies which favour competition, interconnection and gas storage; externally we need to diversify our sources and routes of supply. But we also need to recognise the EU's continuing mutual dependence on Russia in this field. We are not going to be able to do without Russian oil and gas and they are not going to be able to do without the revenues which sales of those commodities to Europe bring. So the sooner we resume attempts to capture that reality in mutually agreed and beneficial agreements the better.

No region of the world stands to gain more from a peaceful, negotiated solution to the Arab-Israeli dispute than Europe; and none stands to lose more from a continuation of the current deadlock whose fragility and liability to break out into open hostilities has been demonstrated in recent years in South Lebanon and in Gaza. And yet, after an important first step with the Venice Declaration of 1980 when Europe was the first of the external players to nail its colours to the

most of a two state solution, its contribution to peacemaking efforts in that region have been piecemeal and inadequate, costly in financial terms but not very influential in policy terms. Now that, for the first time, an American President has grasped the peacemaking nettle at the outset of his first term rather than towards the end of a second term, it is surely time for Europe to re-think its approach and to raise its game.

One contribution would be to spell out in detail its willingness to contribute to the security aspects of any settlement; another would be to spell out too and in generous terms the perspective for the European Union's relationship with Israel following a settlement; and, if Europe does believe that any sustainable settlement will need to include all the main political elements on the Palestinian side, then it should be working far more purposefully towards an inclusive negotiating process, not simply accepting a new outdated and discredited approach towards Hamas.

When the European Union first set out a security strategy in December 2003, and when it updated and confirmed the broad lines of that strategy at the end of last year, it identified "effective multilateralism" as one of the main objectives of the Union's external policies. So a fourth major priority for the future of its external policies will be to put more flesh on the bones of that concept than it has so far been capable or willing to do. That will not be easy. We are already seeing with the welcome emergence of the G20 as the primary instrument for global economic coordination, the practical problems posed for Europe in giving the main developing countries a greater say in world economic governance – at the IMF and the World Bank, for example – and in accepting that its own over-representation in that governance will need to be reduced. And yet such reticence cannot be sustained, if we genuinely want to see institutions which are both representative and effective. Then the United Nations system which must be at the heart of any effective multilateralism poses both similar – over reform of the Security Council – and wider problems.

The demand for UN peacekeeping, in Africa in particular, is stretching the capacity of the organisation to meet it. And yet the European contribution to UN peacekeeping is pretty modest; and when the UN seeks the deployment of an EU battle group to remedy its own lack of a rapid reaction capability, the response tends to be an embarrassed silence.

The EU and its Member States have signed up again and again to the Millennium Development Goals and to the aid targets needed to provide the resources to achieve them. But it is not meeting those targets, and in some instances – Italy for example – it is actually moving away from them. As budget deficit reduction economic policies begin to bite from next year onwards, it will require a major effort of political will to sustain Europe's commitment to the Millennium Development Goals in any meaningful way.

On climate change Europe has so far played a leading role in the negotiations for a successor regime to the Kyoto Protocol. Will it be able to continue to give a lead as the negotiations leading up to December's Copenhagen conference and beyond it, get tighter and more contentious? Will it be ready to make a major contribution to the funds necessary to help developing countries adapt their economies and to mitigate the effects of climate change? Will it resist the siren voices of those arguing that Europe should impose barriers on imports from countries which it deems are not pulling their weight on limiting carbon emissions? Will it live up to its own commitments on carbon emissions? These too will not be easy questions to answer. But, if the answers are negative, then the noble objective of promoting effective multilateralism will be deprived of much of its substance and of its credibility.

It is fashionable, in this country in particular, to ignore or to denigrate the emergence of a European Security and Defence Policy, to continue to argue, even when the Americans themselves have dropped that view, that there is a fundamental choice between supporting either NATO or the ESDP. ESDP is regarded either as a sham or a threat. And yet over the last few years ESDP has chalked up some modest but real achievements - monitoring the ceasefire in ACEH, taking over from NATO the peacekeeping mission in Bosnia, sending a force to the Democratic Republic of Congo to reinforce the UN and to hold the ring while elections were held, deploying a naval force to combat piracy off the Horn of Africa, carrying out a preventive peacekeeping deployment in Chad. More of these sort of operations are likely to be required in the future. But, as budgets tighten, it is also going to be necessary to make much more of a reality of the work of the European Defence Agency and to face up to the fact that Europe does not spend its twenty-seven defence budgets very sensibly, that it could get more bang for its buck by pooling procurement of some items of equipment and by working

much more closely together. To say this is not to champion a European army, that concept unflinchingly paraded by Euro-sceptics on any occasion one talks about the ESDP. As US policy and global developments move on, it is high time the debate about the future of the ESDP moved on to more practical and less ideological territory.

I will conclude this brief analysis of Europe's external policies, both past and future, by relating it to one of the underlying themes of this seminar and of the background paper circulated ahead of it, the weakening of public support for and interest in the European Union. There is no point in denying that phenomenon. It is there for all to see in the miserably low level of turn-out for the European Parliament elections, in the agonisingly slow and complex process of bringing the Lisbon Treaty into effect. Opinion polling data over several years has shown that Europeans want the Union to be more active and more effective in the field of external policy, to contribute more to their security and play a more effective role in world affairs. So there is at least a potential win-win situation there. The alternative is to see Europe bounced around like a ping-pong ball on a jet of water, its external policies shaped more by others than by its own governments. In a world where Europe's relative weight is inevitably declining, that is a prospect which no one should welcome.

These, then, are some of the external challenges which the European Union faces, with or without the institutional changes set out in the Lisbon Treaty. Fortunately it looks now as if it will be with the help of those changes. All the more reason to deploy them to good effect.



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He has published numerous works in the field of international relations, comparative politics (Soviet and Eastern European studies) and the history of political ideas, human rights and security. His current work analyses Europe's efforts to project power and spread norms in its external relations. He also tries to compare four contemporary empires: America, China, Europe and Russia. His books include *Europe as Empire. The Nature of the Enlarged European Union*, (Oxford University Press, 2006), *Europe Unbound: Enlarging and Reshaping the Boundaries of the European Union*, (Routledge 2002), *Democratic Consolidation in Eastern Europe, vol. 1 & 2* (Oxford University Press, 2001), *Explaining Euro-paralysis. Why Europe is Unable to Act in International Politics* (Macmillan, 1998), and *Political Ideas in Contemporary Poland* (Avebury 1989).

## Europe at the Crossroads

### Jan Zielonka

I am delighted to be here and in particular to be in the company of such distinguished guests who spoke before me. To my great surprise I find myself in total agreement with what they have said. It is for you maybe less entertaining, but it is still surprising after all. Despite my recent association with Oxford, I come from another planet in all possible terms. And yet I fully agree with what they have said. I believe that European integration has been a great success, particularly in the last twenty years, and one of the greatest successes has been the reunification of Europe. I think that historians will look on this enlargement process as a kind of sophisticated exercise in power politics.

The Union was able to extend its governance into its impoverished and unstable neighbours, applying the skilful policy of conditionality, and this policy stabilised the post-Soviet space. One need only read newspapers or academic books at the time of the fall of the Berlin Wall to realise that this is taken for granted today. It was not like this 20 years ago.

This policy has also created a unique power centre in central Europe and beyond. But because the extension of space under EU control was done by civilian means, other countries have not tried to balance this ever rising power. Some of them even try to join in and not to deter it. This is something that has not happened in history very often.

So in broad terms it was a great success. And yet today we have to answer the question why this project is increasingly being questioned, not just by eurosceptics but by long standing friends of European integration. I happen to follow political discourse in the Netherlands which was traditionally committed to the European project and it has now changed totally in outlook. In this country too, in the UK, there is a shift in opinion. A recent article by Charles Grant, a long term supporter of the European Union, in *Prospect* magazine, was entitled: 'The Unravelling of the European Union' My colleague from the LSE, Paul Taylor, has just published a book entitled *The End of European Integration*.

What do these supporters of the European project argue? They basically blame enlargement for watering down the integration project by bringing in diversity. Diversity, they maintain, is difficult to handle for European institutions and has prevented Europe from speaking with one voice. I feel even more that I am from another planet when I read these works.

Diversity yes, but diversity was the order of the day from early on. I would submit that the greatest input of diversity for the European Union was Britain's accession to it. I think that the Union has never recovered since. I do not see the Czechs being more difficult than the Greeks when they joined. I do not see the Poles being more intent on re-negotiating than the Spanish when they joined. I don't really think that this is the issue. I agree with Lord Brittan. I think that at the core of their disappointment with the project is the fact that enlargement has indeed buried the vision of a European federal state. But let's face it, was it ever the great end objective of European integration? We never agreed to that. Was it ever practical? I always say to my German and French federalist friends: 'if you are unable or unwilling to build a single federal state between Germany and France, how do you expect that with six, twelve or twenty seven it would be any better?'. I say to them, if you believe in the project, then create a Franco-German federation, and if it works, we will join.

So I don't really understand this kind of discussion. I really don't understand it.

The real problem, however, is not what European elites think today, eurosceptics or pro-European. I think that the problem is something that was said before. The problem is that European elites have no idea how to connect with the people of Europe. They always assume that they are conducting this integration process by disguise and rely on a public consensus. They may well be right that there would have been no integration had we had to agree on the final destination in advance. However, the permissive consensus is no longer there, partly because of the success of the project, partly because the Union is taking more and more responsibility for people's life, and more and more people expect it to deliver.

I think that the reasons why we lost public support, or we never gained it, was first because we have been obsessed with institutional

engineering, and ignored politics, economics and culture in Europe. The EU was also obsessed with comprehensive treaty reform rather than addressing a variety of internal and external shocks. Above all, the EU has tried to fix problems confronting European elites and not those confronting European people. And we have to say this openly.

What do I mean by this? I mean that we have become obsessed with institutional engineering. When we talk about democracy within the Union we never talk about the European *demos*. We talk instead about the European Parliament and about giving it more powers. We have given the European Parliament more and more powers but we do not see any gain in legitimacy.

When we talk about foreign policy we talk in acronyms. However, people do not understand, ESDP, CSFP etc. We do not talk about addressing the sources of conflict, people's fears or the insecurities that they have. And I understand this perfectly. It is easier to manipulate institutions than society, the market and culture. But it looks like European institutions today are operating in a cultural and political vacuum. It looks like European political elites are increasingly detached from the electorate. When we go to Brussels today everybody says: 'unless we get the Lisbon treaty, the EU cannot function'. You know how tortuous the route to the Lisbon treaty was. Are we so happy with the results? Is there anyone happy with the results? And was a treaty always the way to push integration forward?

When banks started to fail in the midst of the global economic crisis, Mr Brown was invited to the Euro Group by Mr Sarkozy. And he had a lot to say during this meeting even though this was never envisaged in the treaty. We didn't achieve ESDP through a treaty. It was achieved because British and French politicians got together in St Malo and agreed on something. The formal agreements followed later in Cologne and Helsinki. When Europe's leaders tried to create defence cooperation through a treaty, they utterly failed. I refer of course to the EDC in the 1950s. We have admittedly solved some problems in the Lisbon treaty but we have also created new ones.

I am a constitutionalist by training. I understand that we solved the problem of conflict between the High Representative from the Council and the Commissioner for External Affairs, but I suspect that we have created new problems between the EU President and the High

Representative, because very soon the treaty will be enforced and the President will find that most of his/her powers are really in foreign affairs.

But the most important point is that these are all 'toys for boys'. Does the ordinary man in the street care whether the High Representative or the Foreign Minister is in place, what his/her name is or whether we abolish the competition between the Minister and the Council? What interest do they have in that? What interest do they have in the system of weighted votes? Do they understand the complicated system that we have adopted? They might be interested in the bill of rights or the rotating Presidency but this was practically taken away from them by the Lisbon treaty.

But more importantly here is not whether treaties should codify the practice and whether they really address the problems of ordinary people. The most important point is that in the national frame there exist a lively public space of communication and critical debate.

In the European frame there are decision makers and takers. Takers can veto some decisions when given the chance to vote in the referendum but they cannot practically take part in the debate because they speak different languages and there is an absence of European media. In short, there is no common public space in Europe.

In the national frame, leaders are forced to negotiate with the public the notions of preferred interests. This is what politicians do in national politics. They try to negotiate top down interests with the public. In the European frame, leaders negotiate only among themselves and they assume the permissive public consensus.

And we haven't even started discussion about this in Europe. We hear that we have to communicate Europe more clearly to the people. But this is not the way to do things. In the country where I was born we called this 'propaganda'. It is not just about communicating; it is about engaging in a dialogue with the public and negotiating with it the notion of common European interests. We have to invent different ways to practise that kind of politics in the European space, working on the assumptions that Europe is not a state. In sum, we have to find a new paradigm for working in a democratic way in the EU. And I don't know

what this would be but I know that the things we have agreed are not bringing consent any closer.

Take the rotating Presidency. This was a vivid expression of ownership particularly for small countries in Europe. For six months, these countries could think that they were shaping European destiny. But we have practically abolished it in foreign affairs in the name of efficiency. What kind of efficiency is that?

When there was a Presidency before, people from Brussels had to travel to these countries where there is different food and weather. They had to learn how these countries worked, learn about their reality. More importantly people in those countries had also to learn how the European Union works. Not just their Foreign Office, but also the Ministry of Finance or the Ministry of Agriculture had to learn Europe through daily and quite intensive practical involvement in European matters related to the Presidency.

And now we appear to think that decisions made in Brussels without all this complicated process of involvement will be more efficient. In my view we are doing things which will make things worse rather than better, even though every European politician says 'yes we have to address public anxieties here in Europe, we have to regain public support'. But when there are elections, do they go to their electorate and campaign for Europe? No.

So I think that this is something that we have to start thinking about because the permissive consensus is no longer there. And I don't agree with a suggestion made that we will get the public behind us by sending our soldiers under the EU flag to different corners of the world. I don't think that it works in this way. I believe that the opinion polls by Eurobarometer on these issues are problematical. Do not misunderstand me. I am not the kind of euro-sceptic who says: 'people are only prepared to die for their country, not for Europe'. People don't want to die for anything these days; we now basically rely on professional armies.

I think that we will have to start thinking very seriously about how to engage with the public because there are problems which we are not going to solve either at the nation state level or at the local level. As Europeans we will have to stand up somehow to what I have called

'new kinds of empires': China, Russia and certainly the United States, and tomorrow perhaps India and Japan too.

Unless we get our act together, we will punch below our weight, as your colleague once said about British policy. It applies equally to the European Union.



Background Paper

## Senior Experts group

The Senior Experts group was set up 10 years ago to provide high quality briefing papers on the European Union to opinion-formers within the UK. The Senior Experts group consists of five former UK Ambassadors to the EU, former senior officials in the EU Institutions and others who have worked in a senior position in or with EU Institutions.

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# Twenty Years On: The EU Since The Fall of The Berlin Wall

## Senior Experts group

The fall of the Berlin Wall was the prologue to a period of dramatic change in Europe and for the European Communities. After the Wall came down, the EU changed fundamentally as the end of Communism in Europe precipitated successive waves of enlargement.

Over the following 20 years, Germany was reunified, three European countries ceased to exist (Czechoslovakia, East Germany and Yugoslavia), the USSR was dissolved, 15 new states emerged or re-emerged, 11 former members of the Warsaw Pact joined NATO, the European Communities became the European Union, the EU more than doubled in size, an EU Single Market was declared and a single currency adopted by 16 EU countries<sup>1</sup>. Not since the Congress of Vienna in 1815 had Europe seen so many changes in the number and makeup of countries and it had never seen the creation of so many democracies in such a short time.

But the dramatic events of 1989-1991 were followed by a considerable period of instability and consolidation. First, Europe was hit by a recession (1991-93) and then globalisation encouraged companies to relocate elsewhere. Secondly, the break-up of Yugoslavia from 1991 descended into a bloody and intractable civil war with serious consequences for the whole continent. Thirdly, when growth and prosperity returned, new issues such as energy security, the adverse consequences of climate change and the expansion of cross-border crime threatened to undermine the economic and political achievements since 1989. Fourthly, the security implications of the attacks on the United States on September 11 2001, and the Madrid and London bombings of 2004 and 2005 respectively, further challenged a Europe already finding it difficult to adapt to the post-Cold War security situation. Finally, the long period of economic growth which ended in 2008 with the financial crisis and recession, re-opened old debates about markets versus regulation and the extent to which European nations could maintain their economic standing in the world (and by implication the standard of living and political influence that

came with it) in the face of competition from the emerging economies of Brazil, China and India.

The EU has been central to the historic developments in Europe since the fall of the Berlin Wall and has, in turn, been greatly changed by them. This paper explores the developments in the EU since 1989 through several key themes which cover economic and political developments as well as institutional ones.

### **The End of History? The Swift Collapse of European Communism**

Although it was not until 9 November 1989 that the Berlin Wall was toppled, the collapse of Communist regimes in Central and Eastern Europe had begun earlier that year with a series of political and economic policy changes in Warsaw Pact countries. These changes were a response to the more liberal policies of the leader of the USSR since 1985, Mikhail Gorbachev, whose “perestroika” and “glasnost” (meaning restructuring and openness respectively) inspired similar policies in other Warsaw Pact countries.

The trigger event was the opening of the border between Hungary and Austria in August 1989. This enabled East Germans to leave their country and seek political asylum at West German embassies abroad; 40,000 of them did so in August and September alone. The loss of so many of its working age adults was a severe blow to East Germany, the one Warsaw Pact country which had declined to follow Gorbachev’s reforming lead. After Gorbachev visited East Berlin in October for the 40<sup>th</sup> anniversary celebrations of the GDR and failed to support the regime of Erich Honecker, public resentment at its authoritarian nature and its failure to deliver the economic prosperity experienced by their West German neighbours, could no longer be held back. Massive demonstrations took place in East German cities, Honecker was ousted as President by his own politburo and the East German government, no longer able to keep its border with West Berlin closed in the absence of Soviet support, announced on 9<sup>th</sup> November that it was relaxing the restrictions on its citizens visiting West Berlin but the crowds took over and forced their way through.

1989 saw a tidal wave of political change, with the first non-Communist Prime Minister since 1945 in Poland and the end of Communist rule in Hungary, Bulgaria, Czechoslovakia and Romania as well. Only in Romania was the end of Communism marked by

bloodshed (and Yugoslavia's subsequent break-up was later to lead to the worst loss of life in conflict in Europe since 1945).

Although some politicians, such as President Reagan in a 1982 address to the British parliament, had predicted that the Soviet Union would not survive because of its mounting economic problems and the growth of internal dissent, the speed of the collapse of Communism in the Warsaw Pact countries was breathtaking. The President of the European Commission at the time, Jacques Delors, called it the "acceleration of history"; an American academic even suggested that these momentous events presaged "the end of history" because liberal democracy had triumphed.

Amidst the torrent of hyperbole, serious issues could be identified. The first of these was the possibility of Germany being reunited. Not all Member States of the European Community (EC) were enthusiastic at the prospect. A reunited Germany with a population of 77 million people would account for a quarter of the EC's population and 27 per cent of its GDP.<sup>2</sup> But German reunification had been a formal policy objective since 1945, endorsed by the four occupying powers (Britain, France, the USA and USSR) and reiterated in subsequent agreements.<sup>3</sup>

The chief sceptic about reunification amongst EC leaders was the British Prime Minister Margaret Thatcher. Her stance was influenced by the British experience in two world wars and it appeared - when a report on a key policy discussion was leaked - based on a dubious assessment of the German "national character".<sup>4</sup> But Margaret Thatcher was not the only EC leader who was initially opposed; President Mitterrand of France was also worried by the influence that a reunited Germany would have in Europe. At first reunification was seen by West German Chancellor Helmut Kohl as a distant prospect but the unexpected victory of his Christian Democratic Party in East Germany's first truly democratic parliamentary election in March 1990 forced a change of pace. German economic and monetary union was brought forward from 1 January 1991 to 1 July 1990 and then reunification became inevitable once the USSR made it clear that it would not object. It was achieved on 3 October 1990.

The speed of these developments bewildered many and angered some. Reunification had direct consequences for the EC as the former German Democratic Republic was incorporated into the former West

Germany. This had implications for the EC budget, for the European Parliament (Germany would need more seats) and for the wider EC economy because of the weakness of East Germany's. The decision of Kohl (without consulting other countries and despite considerable objections from the President of the Bundesbank) to exchange one Deutschmark for one East German mark, when the latter currency was worth far less, was politically popular in East Germany but it created considerable economic problems for the whole European economy.<sup>5</sup>

Having initially been concerned at the prospect of German reunification, Francois Mitterrand recognised its inevitability (as, eventually, did Margaret Thatcher) when he was persuaded that it would be possible for reunification to proceed in tandem with greater EC integration, notably monetary union. Germany would be locked into a tighter EC embrace, limiting any threat – economic or political – it could pose to France. This approach precipitated a re-examination of the political aspects of EC integration as well as the economic ones. But whilst the debate about the structures of the EC was getting under way in the spring of 1990, economic issues were of greater importance for most Europeans.

## The European Economy

### A Truly Single Market

At the time of the fall of the Berlin Wall the two biggest issues within the Community were the implementation of the Single European Act of 1986, which sought to make a reality of the Single Market – promised in the 1957 Treaty of Rome but not yet achieved – and the proposals for Economic and Monetary Union (EMU) of the Delors Committee published in April 1989.

For the Single Market, the Community had agreed to a programme involving a series of legislative items and a target date for these all to be in force of 1 January 1993. This was a major task and of necessity, somewhat complicated although greatly facilitated by the British Commissioner, Lord Cockfield, who was responsible for the Commission's 1985 White Paper on the Single Market and who vigorously led the subsequent legislative process. Around 282 measures were needed to complete the Single Market and even then key sectors such as energy and telecommunications were excluded. But the Single European Act enabled far more progress to be made

between 1985 – when the initial proposals were tabled – and 1992 in the harmonisation of standards and other common rules because of the introduction of qualified-majority voting (QMV), which prevented one country from blocking progress with a veto, than had been made for many years.

The benefits of scrapping, for example, the customs rules on internal EC transactions alone removed 60 million documents a year. This dramatic reduction in red tape and the abolition of technical (but in reality often anti-competitive) national product rules had a liberating effect on the EC economy. In the 10 years after 1 January 1993, trade grew by 40 per cent between the 15 EU states.<sup>6</sup> Put another way, the EU GDP in 2002 was 1.8 per cent higher (£110 billion) than it would have been without the single market; that is about £20 billion a year in the UK alone.<sup>7</sup>

### A Currency for Europe - European Monetary Union

Whilst a single currency was not essential to the operation of a single market, the benefits of such synergy were considered obvious by many supporters of greater European integration. While the proposal of the committee of central bankers, chaired by Delors, to develop a European single currency from the pre-existing Exchange Rate Mechanism of the European Monetary System (the latter went back to 1979), met with considerable support there were significant doubts (for different reasons) in Germany and the United Kingdom. At the time of the fall of the Berlin Wall, the Community was pre-occupied with an internal debate about when to launch an inter-governmental conference (IGC) of Member States to consider the treaty changes that would be needed to make a reality of European Monetary Union.

With the background of the unfolding dramatic developments in Central and Eastern Europe, the European Council in December 1989 took the important decision to establish an IGC on the next stage of EMU, agreement being reached despite British opposition. Member States had already agreed to proceed with the first stage of EMU from 1 July 1990, which involved greater co-ordination of economic policy between the Members, free capital movement within the Community and membership of the Exchange Rate Mechanism.

The outcome of the IGC was the Treaty of Maastricht, signed in 1992 after last-minute negotiations at the December 1991 European

Council. The UK was given an option to stay out or join the single currency (Denmark was later also granted an opt-out) but all other Member States committed themselves to irrevocably joining a new currency – eventually given the name the euro – and it came into being in 1999. Sixteen Member States of the EU are in the eurozone and the euro has established itself as one of the world's major currencies.

The pace of the move to monetary union was not clear in 1992; some critics claimed that the euro would not survive for very long because a single interest rate would not work in the interests of member countries and because some countries had failed (despite rules in the Maastricht Treaty requiring them to do so) to reduce their national debts to no more than 3 per cent of GDP.

### **Economic Reforms in Central & Eastern Europe**

The transition from state-controlled to market economies was to prove very painful for many of the former Communist countries. Even before the fall of the Berlin Wall the European Community's policy of encouraging the diversification of the Central and Eastern European economies was under way. This partly reflected the call by the US administration under President George HW Bush for the EC to be the lead body in the development of their economies. The meeting of the G7 in Paris in July 1989 called on the 24 members of the Organisation for Economic Co-operation & Development to provide financial support to these countries. Responsibility for co-ordinating this work was given to the European Community, with the Commission taking the lead. The G7's decision put the European Community at the centre of the political and economic developments that followed.

The Community moved swiftly after the fall of the Berlin Wall at an informal European Council in Paris on 18 November 1989 to agree to establish the European Bank for Reconstruction & Development to aid the emerging economies of Europe. An Action Plan for the Polish and Hungarian economies had already been published two months earlier and the half-yearly European Council that December agreed further measures to stabilise and develop the central Eastern European countries.

Initial co-operation with these countries was in the form of trade-based association agreements but these were soon widened to cover other areas of EC activity. The PHARE programme (the acronym stood

for Poland & Hungary – Assistance with Restructuring the Economy but other countries were soon included) provided substantial assistance to help adapt their economies. Part of the motivation for such structural funds may have been the fear of adverse consequences for EC countries if the economies of central and Eastern European countries completely collapsed but there were more altruistic motives involved as well.

The economic problems of several central and Eastern European countries after 1989 were severe. There was a dip in living standards in some cases, higher unemployment and even in one country, a fall in life expectancy.<sup>8</sup> A study in 2005 found that it would take Poland 176 years to achieve the same GDP per capita as the average of the EU25 given growth rates at that time.<sup>9</sup> While Poland was an extreme case, it would take other former Communist countries up to 30 years to reach the EU average. The need for EU support was very clear.

### **A More Integrated and Competitive European Economy**

By the Millennium it was clear that however much progress had been made with the completion of most of the Single Market in goods, Europe still lagged some of its competitors in key areas of economic performance. The Single Market was in any case incomplete because most services had been excluded and as the service sector was the largest part of the European economy, this was a major disadvantage.

At Lisbon in March 2000 the Member States adopted what has become known as the “Lisbon agenda”:

“to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” by 2010.<sup>10</sup>

This ambitious goal was backed by a phalanx of measures but the report of a group of high-level experts in 2004 found that progress had been limited<sup>11</sup>. Some of the advantages of the US were down to factors such as immigration that Member States could not (or did not wish to) copy but structural problems, such a low level of participation in the workforce, rigid labour markets and poor educational attainment were within the power of Members to address.

The international nature of competition, with low cost workers in Asia in particular, enabling previously European-based businesses to locate first manufacturing units and later services, was a challenge to both business and politicians in Europe.

Although the financial crisis and the recession will slow progress in completing the Lisbon agenda, the Services Directive, agreed in 2007 and coming into force in 2009, is a significant step forward in creating a competitive European market in services. Further liberalising measures since the Single Market campaign of 1992 have begun the process of energy liberalisation and opened up telecommunications.

## The Architecture of European Unity: From EC to EU

### The Road to Maastricht

A number of developments pointed in 1989/90 towards bringing together the developing – but never defined - concept of European Political Union (EPU) and European Monetary Union. These included an influential speech by Delors in Bruges, where a year earlier Margaret Thatcher had signalled an aggressively inter-governmental approach to the future of the EC, and a speech given to the Bundestag on 28 November 1989 by Helmut Kohl. He called for a reunited Germany based around the federal system used in West Germany but he insisted that “the future architecture of Germany must be fitted into the future architecture of Europe as a whole” in order to reassure her neighbours.

Although the Strasbourg European Council in December 1989 gave the go-ahead for the EMU IGC and paved the way for German reunification in the context of existing treaties and “in the perspective of European integration”, it did not establish an IGC to look at proposals for EPU. The outcome of the East German elections referred to above triggered a change in the French position and in turn a joint letter from Kohl and Mitterrand to the European Council which gave added impetus to calls for greater European political integration.<sup>12</sup>

Despite doubts expressed by Margaret Thatcher, she accepted and the EC unanimously agreed, to go ahead with two IGCs at the April and June 1990 Dublin European Councils, one to look at EMU and one to study proposals for EPU. But although a blueprint had been set out for EMU in the Delors Committee report, there was no similar document for

the second IGC. The Council said that the purpose of the second IGC was to “transform the Community from an entity mainly based on economic integration and political co-operation into a union of a political nature, including a common foreign and security policy”. What was clear was that none of the Member States was envisaging that this process would result in a “United States of Europe”.

In the event the Treaty on European Union (often called the Treaty of Maastricht) did not propose anything so radical although it was far-reaching nonetheless. Primarily the Treaty was about the single currency but it also introduced a new legal basis under which the European Union (EU) was created and two new “pillars” were added to its work: foreign affairs and co-operation in the fields of justice and home affairs. Economic and environmental measures came under the original Treaty Establishing the European Communities, that concerning foreign affairs and defence came under the new Treaty on European Union, as did co-operation in the fields of justice and home affairs.

The Treaty of Maastricht (1992) was the first of a series of probably too numerous treaties which sought to modify the structure of the EU to make it more efficient and to enable it to develop new areas of activity, reflecting the development of new cross-border issues in Europe.

The Treaty of Amsterdam (1997) continued the modernisation process but it also enabled a step forward for the foreign affairs work of the EU through the creation of the post of High Representative for the Common Foreign & Security Policy (although the first appointment, of Javier Solana, only took effect in 2000). The Treaty of Nice (2001) was an attempt to modify the EU to enable it to respond to enlargement. It increased the size of the European Parliament, established a new weighting system of votes for QMV and provided for the European Commission to be reduced in size once the EU reached 27 Member States (the larger countries would lose their second commissioner after 1 January 2005).

The Treaty of Nice was widely regarded as unsatisfactory and its negotiation was accompanied by significant tensions between France and Germany but it opened the door to further enlargement. It had not, its detractors argued, resolved the question of how a far larger EU was to be managed when most of its structures still dated from the 1950s or 1960s nor had it enabled the EU to respond to calls for a more effective foreign policy. The defeat of the Nice Treaty in the one

referendum held on it, in Ireland, further undermined its credibility, although a second referendum was subsequently successful. Political leaders sensed a gap between them and their voters in terms of attitudes to the EU, with the voters more sceptical about its value.

The response to these sometimes conflicting criticisms of Nice was the establishment in 2002 of the Convention on the Future of Europe, led by the former French President Giscard d'Estaing. This was a forum in which representatives of national parliaments, governments and the European Parliament came together to try and agree a new way forward for the EU. The result was the European Constitutional Treaty, an attempt to create a single legal structure for the EU and a single comprehensive treaty, replacing all existing treaties and defining the powers of the EU with greater clarity. For all its apparent radicalism, the Constitutional Treaty was in reality a more conservative document than either its most enthusiastic supporters or most vigorous opponents were prepared to admit. It would not have transformed the EU into a single state and it drew less power to the centre than the Single European Act.

It was ironic that a process that was the product of an attempt to reconnect the EU with its citizens was eventually abandoned because it had been rejected in two referendums. The difficulty for the Constitutional Treaty was firstly that while it pretended to be a constitution it was no more than a treaty between Member States and also that – unlike previous treaties - the governments had not been its sole creators and perhaps did not feel the political and emotional attachment to it necessary to mobilise support for it. The latter factor was of less significance in France and Holland where governments already unpopular over unrelated domestic matters lacked the authority to sell the treaty and failed to do so. The resulting defeats in 2005 led to a year of internal “reflection” within the EU and the conclusion that reform was still needed but that something less ambitious would have to take the place of the Constitutional Treaty.

A more conventional treaty-making process was followed for what became the Lisbon Treaty of 2007. A short IGC between July and October that year took over key elements of the Constitutional Treaty – notably making the rotating post of President of the European Council a full-time one and combining the posts of external affairs commissioner and High Representative for Foreign & Security Policy – and put them into an amending treaty. In addition, the Lisbon Treaty reduces the

three separate areas (often called pillars) of EU activity to two and gives the EU as a whole legal personality. It extends qualified majority voting to police and judicial co-operation (but with the UK and Ireland retaining their opt-outs) and it extends the European Parliament's legislative powers so that its consent (with that of the Council of Ministers) will be required in more cases. The Treaty also increases the role of national parliaments in the monitoring of EU legislation and policies, gives the European Council more authority to set the agenda for the EU and makes tackling climate change an explicit EU aim. This less far-reaching treaty was ratified by most Member States but rejected in a referendum in Ireland. After new legally binding assurances were given to Ireland, to be incorporated in a future treaty, a second referendum was held there on 2 October 2009 and the treaty endorsed.

Arguments about institutional structures and voting systems dominated internal EU discussion from 1990 to 2007. The intensity of the focus on these questions was criticised by many who saw it as symptomatic of an organisation that had become inward looking, absorbed in technocratic debates and lacked inspirational leadership.

## Popular Support for the EU

### Maastricht Ratification

The issue of public support for the EU became critical with the narrow rejection of the Maastricht Treaty in the 1992 Danish referendum. That particular problem was solved by allowing Denmark to opt-out of joining the euro but the delay caused by the Danish vote and the consequences in other Member States led to much debate. The referendum in France produced a majority for ratification but it was close, whilst in the UK divisions within the ruling Conservative Party were accentuated by the Danish vote and although the UK Parliament did approve the ratification of the Treaty, it took a year and came at huge political cost to the Government.

Although the prospect of a single European currency was the biggest issue for opponents of the Maastricht Treaty some of their criticisms related to a perceived "democratic deficit" in the EU. This was not a new argument and the creation of a directly elected European Parliament had been intended to deal with it. But the European Parliament had not become a popular or respected institution by 1992 and further extensions of its powers did not fully satisfy the critics; the

level of participation in had fallen in successive elections to it and both the campaigns and political parties continued to be national rather than Europe-wide. The concept of “subsidiarity”, meaning decision-making at the lowest appropriate level, was introduced by the Maastricht Treaty, but very quickly seemed a false dawn – there was no perceptible effect of this concept on public attitudes towards the EU.

### **Financial Management**

The Maastricht Treaty changed the auditing rules for the EU with disastrous consequences in public relations terms. The Court of Auditors now had to qualify the entire accounts of the EU if any part of them did not meet appropriate standards. This led to grossly exaggerated media reports of EU “corruption” each time the Auditors published their report.

While media coverage may often have been unfair, it could not be denied that there were problems. The Santer Commission (1994-1999) resigned collectively following allegations of financial mismanagement and an independent report by a Committee of Experts which, while it cleared most Commissioners of wrong-doing, was critical of the absence of a sense of responsibility. This episode, whilst short-lived and wholly exceptional, encouraged critics in their argument that the EU was a bloated and wasteful organisation.

### **Loss of Support: Some Explanations**

Whilst specific explanations for the unease about the EU can be identified, there were wider and more general causes too.

These included generational change. Veterans of the two World Wars were amongst those most passionate about European unity but as they passed on, they gave way to younger generations who had known only peace and prosperity in Europe. What was the point of having the EU to prevent conflict between France and Germany when any prospect of such conflict seemed entirely absurd?

Unhappiness with the EU and its leaders perhaps reflected a wider decline in trust and respect for politicians across the Western world. It probably had also been enhanced by the shift in media attitudes towards the EU in some Member States, where newspapers that had once been supportive had become aggressively hostile by the mid-

1990s. The enlargement of the EU was in itself a cause for concern in some Member States because of fears that a loss of influence would result from the EU being “diluted” by new members. There was a greater scepticism of state-sponsored, “centralist” solutions in the Central and East European states because of their experience of Communism.

Political leaders, some argued, had run ahead of public opinion in pushing European integration forward. They had failed to establish consent for each incremental step and tended to adopt a default position that “more Europe” was always the way forward.

Towards the end of the period, greater pragmatism towards both European integration and the operation of the EU’s policies began to emerge. The decision to abandon the Constitutional Treaty and proceed instead with the more practical Lisbon Treaty was recognition that voters were bored by, or indifferent to, arguments about institutional change. Equally pragmatic decisions by the Commission on metrication and odd-shaped fruit and vegetables were an acknowledgement that EU should stop fighting battles it could not win. Whilst opinion polls suggested support for membership had fallen in several EU countries, they also showed that voters believe that the EU does have an important role to play, particularly in foreign policy, the environment and the fight against terrorism.<sup>13</sup>

## Enlargement

The reunification of Germany had the effect of enlarging the European Community but the question of the admission of new Member States in 1990 was focused not on the central and Eastern European countries but on members of the European Free Trade Area (EFTA). The EFTA countries, which included a former applicant for membership (Norway) and six others, had already begun discussions with the EC about combining the free trade areas of the two organisations in order to create a single area that would account for 40 per cent of world trade. The final result, the European Economic Area, was not established until 1 January 1993 because the negotiations proved complicated but joining the EEA (all the EFTA members did so bar Switzerland) made it easier for EFTA members to apply for EC membership because they had already adopted much of the EC’s Single Market and competition legislation.

Austria, Finland and Sweden were all EFTA members seeking to join and in fact Austria had applied for EC membership on 1 July 1989 after the USSR had withdrawn its objections to an earlier Austrian application. The accession of neutral and non-aligned countries raised new questions for the EC, all but one of whose members (Ireland) were members of NATO.

Many Member States were unenthusiastic about enlargement because of the internal focus on completing the Single Market and the debate about EMU and the forthcoming IGCs. But the pace of events once again swept aside previously established positions.

The Single Market campaign encouraged EFTA countries to join the EU. After all, if they were going to be bound by Single Market regulations through the European Economic Area or because they wanted to trade with EU countries, why have the regulation without the influence? It was a powerful argument and with the fall of the Berlin Wall and the subsequent collapse of the USSR, if these countries now regarded their neutral or non-aligned status as no barrier to full acceptance of the obligations of membership, it was hard to argue that the Scandinavian countries or Switzerland and Austria should be excluded. The EFTA countries saw better economic prospects for themselves inside than outside the EU and some feared adverse consequences from being outside Economic and Monetary Union.<sup>14</sup>

The debate about institutional reform in the run-up to the Maastricht Treaty also triggered a discussion about enlargement. There was a wider European need to find a way to anchor democracy and rule of law in newly ex-Communist states. Given that that the EC had helped to do this for the former fascist dictatorships of southern Europe, could it not do so for ex-Communist ones in CEE? In addition to that argument, there was some pressure from within the EC for enlargement although enthusiasm for enlargement was not universal. In her 1988 speech to the College of Europe in Bruges, Margaret Thatcher had said that European countries behind the Iron Curtain had been “cut off from their roots” and that “we shall always look on Warsaw, Prague and Budapest as great European cities”.<sup>15</sup> But the Commission, reporting to the European Council in June 1992, said categorically that “widening must not be at the expense of deepening. Enlargement must not be a dilution of the Community’s achievements”.<sup>16</sup>

The European Council in December 1991 had agreed, however, that “any European State whose systems of Government are founded on the principle of democracy may apply to become members of the Union” (thus elaborating on the commitment in the Treaty of Rome) and the Maastricht Treaty reflected that commitment. This statement and the wording of the Treaty on European Union opened the way to enlargement for the EFTA and former Communist countries.

The “Eftan” enlargement took place in 1995, following referendums in the four applicant countries: Austria, Finland, Norway and Sweden. For the second time, the proposal to join was defeated in Norway. Iceland had chosen not to apply, because of doubts about the effect of the Common Fisheries Policy on its fishing sector, and Switzerland, which had applied, could not proceed with its application after the its proposal to join the EEA was narrowly defeated in a December 1992 referendum. Austria, Finland and Sweden joined the EU on 1 January 1995 after negotiations which proved surprisingly difficult, in part because of an internal argument within the EU about the voting weights to be adopted in the enlarged EU.

The clamour from the central and Eastern European states to join the EU grew in the early 1990s. Having argued that there could be no further enlargement until the Treaty of Maastricht had been ratified and a long-term financial package agreed, it was hard to resist calls for enlargement once these two things were done.

The former Communist states were each given the opportunity after 1989 to sign trade and co-operation agreements with the EU and in addition to the support provided through the PHARE programme, the European Bank for Reconstruction & Development was established in 1991. These no doubt valuable steps to aid these countries fell a long way short of membership, with all that implied in terms of recognising these newly democratic countries as free nations with market economies and the rule of law. That the central and Eastern European states wanted to join the EU quickly became clear; at a meeting in Prague in June 1991 called to consider President Mitterrand's idea of a “European Confederation” – which would exist alongside the more integrated EU and was clearly intended as a device to avoid enlarging the EU – President Havel said that the Confederation should instead be a means to enable the former Communist states to join the EU. The Confederation idea did not proceed any further.

In June 1993 the European Council meeting in Copenhagen expanded the brief statements on membership in the Treaty on European Union by setting out the criteria that the EU would apply to future applicants:

“Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union”.<sup>17</sup>

But the so-called “Copenhagen criteria” were accompanied by a clear statement that the central and Eastern European states that had signed association agreements with the EU, would be entitled to join:

“The European Council today agreed that the associated countries in Central and Eastern Europe that so desire shall become members of the European Union”.<sup>18</sup>

Yet whilst this opportunity was provided, it was unlikely that many of these states could take it up very easily. Firstly, they had to meet the democracy, rule of law and human rights tests, which were difficult for countries that only four years earlier had been dictatorships without an independent judiciary or legal profession. Secondly, they had out of the ashes of planned economies to build market economies without the most basic building blocks (such as an accountancy profession or a system of contract law) in place. Even then, it would take them several years to achieve robust, competitive market economies able to withstand participation in the Single Market.

The EU responded to this gap between ideas and reality by gradually stepping its relationship with the central and Eastern European states. Initial trade and co-operation agreements gave way to broader Europe agreements, which provided tariff free access to EU markets as well the adoption by the country concerned of Single Market legislation.

Some existing Member States were still unenthusiastic about enlargement to the east. Whilst Germany and the United Kingdom were strongly supportive, France was concerned at a potential diminution of its influence within the EU while those Member States (such as Greece

and Spain) in receipt of EU structural funds were worried that the admission of countries with weaker economies than their own would mean a redirection of structural funds away from them.

The process of compliance with the Copenhagen criteria was further developed by greater dialogue between the EU and the former Communist countries after 1994 and the fact that many of the latter adopted “accession plans” as part of meeting the tests in the Copenhagen criteria. In 1997 five central and Eastern European countries were chosen to begin accession negotiations – the Czech Republic, Estonia, Hungary, Poland and Slovenia – with the addition of Cyprus, which had applied to join in 1990. The inclusion of the still-divided Cyprus and the fact that five central and Eastern European countries were being allowed to start accession negotiations so soon after applying, irritated Turkey, which had applied for membership many years earlier and wanted to be included in this round of accession negotiations.

Later, in December 1999, the EU agreed to open accession negotiations with Bulgaria, Romania, Latvia, Lithuania, Malta and Slovakia. Two years later the European Council was ready to say that all the countries involved in accession negotiations apart from Bulgaria and Romania, would be ready to join in 2004 if outstanding issues could be resolved.<sup>19</sup>

In the event, the eight central and East European states, plus Cyprus and Malta, were ready to join on 1 May 2004 with Bulgaria and Romania admitted three years later in 2007.

The EU had never done enlargement on this scale before and it proved a major challenge to deliver, not least because of the extent of the domestic changes required by the ex-Communist states involved. But the 2004 enlargement was a phenomenal success in terms of the economic and political benefits, with the accession states achieving average growth rates of 3.75 per cent in the period 1997-2005 (compared to an average of 2.5 per cent in the EU15).<sup>20</sup> There were some difficulties, notably the unexpected scale of migration within the EU from the accession states to some of the EU15. Public opinion had not been prepared for this and the cumulative effect made free movement a political issue in several Member States.

As long ago as the Copenhagen European Council in 1993 the EU had expressed the view that “the Union’s capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration”.<sup>21</sup> The scale of the 2004 enlargement and the political difficulties arising from migration from the accession states meant a revival of the old argument that the EU needed to take into account its ability to absorb new members when considering enlargement. To some extent this is an argument used to delay Turkish membership – to which there remains considerable resistance in Austria, France and Germany in particular. It is unlikely that this argument will be deployed, however, to veto or delay Croatian accession, and later the addition of various countries in the Western Balkans, provided the security and rule of law questions surrounding those countries can be resolved.

Turkey, an associated country of the EU since 1963 whose agreement explicitly envisaged the possibility of its eventual accession, applied to join in 1987 but was not recognised as a candidate for membership until 1999 because of its political and economic circumstances, its poor relations with Greece and the dispute over Cyprus and continuing worries in some Member States about the implications of admitting an Islamic, if secular, country with a population larger than that of any existing Member State bar Germany. By 1999 Turkey had established a customs union with the EU and it was agreed that membership negotiations could begin if Turkey met the Copenhagen criteria. Negotiations over membership begun in 2005 with the Turkish Government pursuing a number of domestic reforms to enable Turkey to implement the EU *acquis* but it was not expected that Turkey would join for a decade or more.

Croatia applied for membership in early 2003 and it was hoped that her application might proceed speedily. But negotiations for membership, which started in October 2005, were initially held up by concerns that Croatia was not co-operating with the Hague tribunal on war crimes in the former Yugoslavia. Although Croatia had been expected to join the EU in 2010, after the war crimes tribunal in the Hague said Croatia was co-operating, a border dispute with Slovenia over the Piran Bay led to a stalemate in the talks (overcome in September 2009<sup>22</sup>).

Iceland, wanting to find a safe haven after the turmoil of its financial crisis, has recently applied to join the EU, but although it is well qualified for membership, the process may take several years.

## Europe in the World

One of the most significant developments in the EU over the last 20 years has been the growth of the EU's activity in foreign and defence policy.

The Single European Act had acknowledged European Political Co-operation (EPC) – informal co-operation on foreign and security policy since 1970 outside any treaty framework - but it was not until the Treaty of Maastricht created the Common Foreign and Security Policy (CFSP) in place of EPC that it was given a treaty base with formal objectives and decision-making arrangements. Maastricht also brought defence within the treaties for the first time, albeit by giving the responsibility for its implementation to the Western European Union.

The end of the Cold War had left something of a gap in European security and the outbreak of the Yugoslav civil war was a forceful reminder that security questions could still arise on the European continent. The inability of European nations to stop the bloodshed in Yugoslavia, particularly in Bosnia, undermined confidence in the EU's foreign affairs capabilities and exposed the inadequacies of European security co-operation. The Amsterdam Treaty created the post of High Representative for CFSP, enabling the EU to improve foreign and security policy co-ordination, and security missions since have shown that the EU has a useful contribution to make in this field.

The EU, with its 27 Member States, nearly 500 million population and GDP and economic base comparable with those of the US, is a major economic and trade power. It is a key player in multilateral trade negotiations and is important, although in financial matters its members still act independently, in the management of the international economy. It has led international opinion on climate change. Yet for all that, and despite its ambitions since the early 1990s, it has not been the political power its size and resources would allow.

On the defence policy side, the EU's European Security & Defence Policy (EDSP) has had some useful if modest successes and is developing a unique capability for combining civilian with military

assistance, but has fallen well short of its initial goals. The return of France to NATO's integrated structures in 2009 removes one source of past friction about the respective roles of NATO and an EU with security ambitions, but continuing loggerheads between Cyprus and Greece on the one hand and Turkey on the other still make EU-NATO cooperation difficult. The EU agreed a security strategy in 2003 which helped to turn a slow start in security policy into a more coherent policy but the gap between commitment and reality in the provision of European forces and equipment, whether in an EU or NATO context, mean that doubts persist about the EU's capacity to resource effectively its defence policy ambitions.

On the political side, the EU has sometimes cut a poor figure, notably in the Yugoslav wars in the 1990s, (although in fairness the CFSP did not come into being until November 1993 after the crisis had begun). It has played little role in attempts to resolve the Israel-Palestinian dispute, despite being both the the largest export market for Israel and the largest aid provider to the Palestinians. But it remains a member of the Middle East Quartet (with the US, Russia and UN) and it has played a leading, if so far unsuccessful, role in the on-going attempts to deal with Iran's putative nuclear capability. Against this, the EU has no effective common policy towards Russia, its important neighbour to the east, which has been able to play Member States off against each other, notably over gas supplies.

The EU's failure to use its collective weight effectively usually results from disagreements between Member States. Some, as over Iraq, may indicate irreconcilable differences, but others arise also because of inadequate leadership or absence of will. But if the CFSP has been disappointing in its results to date, it has still come a long way since the informal and non-binding European Political Co-operation.

The growth and development of the CFSP since 1992 has made for a significant change in the role of the EU. Despite the obvious weaknesses, the EU is now a significant player in global foreign policymaking. The increase in the EU's influence owes something to the talents of Javier Solana, the High Representative for the CFSP whose personal leadership has improved the EU's credibility in foreign affairs.

The combining in one person under the Lisbon Treaty of the responsibilities of the Presidency, the High Representative and the

External Relations Commissioner, supported by a diplomatic service of its own replacing the Commission's present missions abroad, will provide the basis for further improvements in formulating and implementing policies, achieving Member State agreement and therefore greater success and a more effective CFSP in the future. But the biggest obstacle to greater EU influence in foreign affairs is the absence of will among enough Member States.

## The EU's Achievements

The rise in "Euroscepticism" of the last decade has misrepresented and obscured the real achievements of the EU since 1989, as well as promoting the false notion that the EU seeks to become a state. There is a tendency to look back on the reintegration of the central and Eastern European states into the European family of nations as something that was inevitable in 1989. This complacent view ignores the absence of a tradition of democracy and the rule of law in most of the former Communist states and the scale of the economic and social challenges that they faced in 1989.

The peaceful end of Communism in Europe and the relatively smooth transition to democracy and membership of the EU for the countries involved has been a substantial achievement. The prospect of EU membership remains a major attraction for countries on its borders and a significant incentive for them to reform and modernise.

The success of the Single Market, its extension to the new Member States and its opening up to those EFTA states that wanted to join the European Economic Area, amounts to a second major achievement. Nothing like this has been done before; the Single Market is more than a customs union and the development of the Commission as a powerful force for ensuring fair competition in Member States makes the EU unique.

The development of the Single Market has been complemented by the expansion of opportunities for international trade, with the EU playing a significant part in international trade negotiations in the GATT and WTO. Its role was key in the success of the Uruguay Round (1994) and it will be again in the outcome of the current stalled Doha trade round.

Despite the disagreements about institutional reform, other aspects of the EU were modernised over this period. There was reform of the budget, including a shift in spending from agriculture to structural policy. The reforms of the Common Agricultural Policy led to a fall in production subsidies and a greater emphasis on protecting the environment. The EU, together with its Member States, became the largest provider of development aid and through its foreign policy work was able to support developing countries with more than just finance.

The EU's pioneering carbon trading scheme confirmed it as the global leader in fighting climate change. This new work built on a tradition of EU environmental measures that saw major improvements in bathing water and drinking water quality, better protection for wildlife and a progressive switch from dumping rubbish to recycling it.

Few policy developments in the EU have been as controversial as the development of economic and monetary union. The successful introduction of the euro and its development as a global reserve currency was an exceptional achievement. The difficulties of the current economic crisis notwithstanding, the EU proved that it could take a major multi-national project and bring it a successful conclusion. The euro still has to prove it can withstand the kind of asymmetric shock that the financial crisis has produced, and that the potential instability caused by different levels of national debt and economic performance amongst Eurozone countries can be coped with. but it has been a success nonetheless.

## Some Conclusions

Several points need to be made when assessing the EU since 1989. The first point is about the nature of European integration today.

If there was ever a serious drive towards the creation towards what in Britain is called a "federalist" European state, it does not exist now. There was always a wide gap between the rhetoric of European integration and the reality but in so far as some postwar pro-Europeans had a radical integrationist vision, that has given way to a more pragmatic approach today. The ruling of the German constitutional court on the Lisbon Treaty in June 2009, when it said that the EU was not the basis for a single state and operated on the basis of powers being conferred upon it by the Member States, was a powerful and authoritative statement of what has always been the case.<sup>23</sup>

Secondly, for all the arguments of the last 20 years about institutional and other issues, the EU has never ceased to be active. Many positive things have been achieved, even during deeply divisive internal rows. The EU has proved able to adapt and keep going and to continue to make a positive difference. There has been a tendency to describe the EU as being “in crisis” but again and again this has proved to be short-lived media excitement rather than a long-term problem.

Thirdly, events have confirmed that sovereignty is only about what a country or an international body can do. The EU Member States have given up some sovereignty in certain fields - such as competition - to EU institutions, which has worked well but in other fields, such as climate change, they have to work together, even when pooling sovereignty, in order get things done. It is unlikely that there will be further major institutional changes in the period ahead.

Fourthly, enlargement has been one of the great successes of post-Cold War Europe. For all the doom laden talk of the economic crisis having a disproportionate effect in the CEE countries, the stable democracies that have been established there since 1989 are a remarkable achievement for which the EU can claim great credit. The question now is whether the EU will be able to bring about the same kind of stability in the Western Balkans.

Fifthly, whilst there is more to be done to open up world trade, without the active involvement of the EU progress cannot be made.

The period 1989-2009 has been one of the most dramatic in European history. If the early optimism of the “a new world order” was lost in Srebrenica, excessive pessimism is not justified either. The EU has achieved a great deal over the last 20 years and despite the current economic and financial crisis, is in a stronger position to face whatever the next 20 years brings. How much it achieves will depend largely on the collective political will demonstrated by the Member States.

## Notes

1. The 15 countries new or re-emerged were: Belarus; Bosnia; Croatia; the Czech Republic; Estonia; Latvia; Lithuania; Macedonia; Moldova; Montenegro; Russia; Serbia; Slovak Republic; Slovenia; and Ukraine.

2. Cited in, *Ever Closer Union*, Desmond Dinan, Palgrave, 19, p. 130.
3. A point made by George Urban to Margaret Thatcher at a lunch in No. 10 a few days before the December 1989 European Council; see, *Diplomacy & Disillusion at the Court of Margaret Thatcher*, George R Urban, I B Tauris, 1996, p.103.
4. Margaret Thatcher attended a seminar on Germany at Chequers on 24 March 1990 with a distinguished group of historians and other experts; see Urban *ibid*, pp118-150, for an account of the discussion.
5. The mark for a mark exchange was limited to the first four thousand East German marks with a rate of 2:1 for larger amounts.
6. *Long-term global economic challenges and opportunities for Europe*, HM Treasury, March 2005, p. 12; the 15 countries are those that were in the European Economic Area from 1 January 1993.
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8. See *Social & Economic problems in CEECs*, Filip Chybalski, Danube Rectors Conference summer school <http://drcsummerschool.eu/proceedings?order=getLinks&categoryl =4>
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10. Presidency Conclusions, Lisbon European Council, 23 & 24 March 2000, page 2, para. 5.
11. *Facing the Challenge: The Lisbon strategy for growth and employment*, Report from the High Level group chaired by Wim Kok, November 2004; found at: [http://ec.europa.eu/growthandjobs/pdf/kok\\_report\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/kok_report_en.pdf)
12. *Ever Closer Union*, *op cit*, p.134.
13. Eurobarometer poll, December 2008, p.50, at: [http://ec.europa.eu/public\\_opinion/archives/eb/eb70/eb70\\_first\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb70/eb70_first_en.pdf)
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15. 20 September 1988, text: <http://www.margarethatcher.org/speeches/displaydocument.asp?docid=107332>
16. *Europe and the Challenge of Enlargement*, European Commission, June 1992, p9.

17. Presidency Conclusions, European Council, 21-22 June 1993, p.13.
18. Ibid.
19. Presidency Conclusions, European Council, 14-15 December 2001, p.3.
20. [http://europa.eu/legislation\\_summaries/economic\\_and\\_monetary\\_affairs/enlargement/e50026\\_en.htm](http://europa.eu/legislation_summaries/economic_and_monetary_affairs/enlargement/e50026_en.htm)
21. Presidency Conclusions, European Council, 21-22 June 1993, p.13.
22. See:[http://www.setimes.com/cocoon/setimes/xhtml/en\\_GB/features/setimes/features/2009/09/14/feature-01](http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2009/09/14/feature-01)
23. The ruling is discussed in a paper published by the Foundation for European Progress Studies,  
[http://www.fepseurope.eu/fileadmin/downloads/090701\\_DE\\_LisbonTreaty.pdf](http://www.fepseurope.eu/fileadmin/downloads/090701_DE_LisbonTreaty.pdf)

# Learning from the Financial Crisis: Global Imbalances and Lessons for Europe

## iCES Occasional Paper 01

Sir John Gieve

The Institute of Contemporary European Studies (ICES) Occasional Paper Series features the ideas of key opinion formers in contemporary European affairs.

In this volume Sir John Gieve examines the depth and extent of the global economic downturn from the summer of 2007 and reflects on key lessons to be learned from the crisis. He highlights in particular the need for closer international coordination of macroeconomic policy, for better ground rules for cross-border financial crises, for the strengthening of banks' resilience and for improvements in the sphere of macro-prudential tools. Overall the paper provides a striking record of a major player's understanding of the global financial crisis as it continued to unravel in November 2008, with a brief postscript written six months later.

Sir John Gieve was Deputy Governor of the Bank of England from January 2006 to February 2009. In addition to his membership of the Monetary Policy Committee, he had specific responsibility for the Bank of England's Financial Stability work and was a member of the FSA.

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# Contemporary Europe

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Leon Brittan, David Hannay, Jan Zielonka  
Senior Experts group

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In this volume jointly produced with the Senior Experts group, Lord Leon Brittan, Lord David Hannay and Professor Jan Zielonka review the achievements of the EU on the 20th anniversary of the fall of the Berlin Wall, assessing the impact of the enlargement process, the establishment of the euro and the Single Market, EU foreign policy initiatives and the perceived gap between the political class and European citizens. Their views are supplemented by an extensive background paper on 20 years of EU developments produced by the Senior Experts.

Lord Leon Brittan was European Commissioner for Competition 1989-1992 and Vice President of the European Commission 1995-1999. Lord David Hannay was UK Permanent Representative to the European Communities 1985-1990 and the UK Permanent Representative to the United Nations 1990-1995. Professor Jan Zielonka is Ralf Dahrendorf Fellow at St Antony's College, Oxford, and author of *Europe as Empire: The Nature of the Enlarged European Union*.

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