nings before 1939 came from German trade passing through the harbours and waternways of the Netherlands—and Germany's economic revival was vital for them. But in 1947 only 29 percent of the Dutch population had a 'friendly' view of Germans and for the Netherlands it was important that an economically revived Germany be politically and militarily weak. This view was heartily endorsed in Belgium. Neither country could envisage an accommodation with Germany unless it was balanced by the reassuring involvement of Great Britain.

The deadlock was broken by the international events of 1948–49. With the Prague coup, the agreement on a West German state, the Berlin blockade and the plans for NATO it became clear to French statesmen like Georges Bidault and Robert Schuman that France must re-think its approach to Germany. There was now to be a West German political entity including the Ruhr and the Rhineland—only the tiny Saarland had been temporarily separated from the main body of Germany, and the coal of the Saar region was not suitable for coking. How were the resources of this new Federal Republic to be both contained and yet mobilized to French advantage?

On October 30th 1949, Dean Acheson appealed to Schuman for France to take the initiative in incorporating the new West German state into European affairs. The French were well aware of the need to do something—as Jean Monnet would later remind Georges Bidault, the US would surely encourage a newly-independent West Germany to increase its steel production, at which point it might well flood the market, force France to protect its own steel industry and thus trigger a retreat to trade wars. As we saw in Chapter Three, Monnet's own plan—and with it the revival of France—depended upon a successful resolution of this dilemma.

It was in these circumstances that Jean Monnet proposed to France's Foreign Minister what became known to history as the 'Schuman Plan'. This constituted a genuine diplomatic revolution, albeit one that had been five years in the making. In essence it was very simple. In Schuman's words, 'The French government proposes that the entire French-German coal and steel production be placed under a joint High Authority within the framework of an organization which would also be open to the participation of the other countries of Europe.' More than a coal and steel cartel, but far, far less than a blueprint for European integration, Schuman's proposal represented a practical solution to the problem that had vexed France since 1945. In Schuman's scheme the High Authority would have the power to encourage competition, set pricing policy, direct investment and buy and sell on behalf of participating countries. But above all it would take control of the Ruhr and other vital German resources out of purely German hands. It represented a European solution to a—one—French problem.

Robert Schuman announced his Plan on May 9th 1950, informing Dean Acheson the day before. The British received no advance notice. The Quai d'Orsay took a certain sweet pleasure in this: the first of many small retaliations for Anglo-American decisions taken without consulting Paris. The most recent of these had been Britain's unilateral devaluation of the pound sterling by 30 percent just eight months before, when only the Americans had been pre-advised and the rest of Europe had been obliged to follow suit.10 Ironically, it was this reminder of the risks of renewed economic self-interest and non-communication among European states that had prompted Monnet and others to think their way forward to the solution they were now proposing.

The German government immediately welcomed Schuman's proposal, as well they might: in Konrad Adenauer's delighted reply to Schuman he declared that this plan of the French government has given the relations between our two countries, which threatened to be paralysed by mistrust and reserve, a fresh impetus towards constructive cooperation.' Or, as he put it more bluntly to his aides: 'Das ist unser Durchbruch!—this is our breakthrough. For the first time the Federal Republic of Germany was entering an international organization on equal terms with other independent states—and would now be bound to the Western alliance, as Adenauer wished.

The Germans were the first to ratify the Schuman Plan. Italy and the Benelux countries followed suit, though the Dutch were at first reluctant to commit themselves without the British. But the British declined Schuman's invitation and without Britain there was no question of the Scandinavians signing on. So it was just six West European states that signed the April 1951 Paris Treaty founding the European Coal and Steel Community (ECSC).

It is perhaps worth pausing to remark on a feature of the Community which did not escape notice at the time. All six foreign ministers who signed the Treaty in 1951 were members of their respective Christian Democratic parties. The three dominant statesmen in the main member states—Alcide De Gasperi, Konrad Adenauer and Robert Schuman—were all from the margins of their countries: De Gasperi from the Trentino, in north-east Italy; Adenauer from the Rhineland; Schuman from Lorraine. When De Gasperi was born—and well into his adult life—the Trentino was part of the Austro-Hungarian Empire and he studied in Vienna. Schuman grew up in a Lorraine that had been incorporated into the German Empire. As a young man, like Adenauer, he joined Catholic associations—indeed the same ones that the Rhinelander had belonged to ten years earlier. When they met, the three men conversed in German, their common language.

For all three, as for their Christian Democrat colleagues from bi-lingual Luxembourg, bi-lingual and bi-cultural Belgium, and the Netherlands, a project for European cooperation made cultural as well as economic sense: they could reasonably see it as a contribution to overcoming the crisis of civilization that had shattered the cosmopolitan Europe of their youth. Hailing from the fringes of their own countries, where identities had long been multiple and boundaries fungible, Schu-

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10The French Finance Minister Henri Queuille complained to the US Ambassador to France of Britain's 'complete lack of loyalty.'
man and his colleagues were not especially troubled at the prospect of some merging of national sovereignty. All six member countries of the new ECSC had only recently seen their sovereignty ignored and trampled on, in war and occupation; they had little enough sovereignty left to lose. And their common Christian Democratic concern for social cohesion and collective responsibility disposed all of them to feel comfortable with the notion of a trans-national 'High Authority' exercising executive power for the common good.

But further north, the prospect was rather different. In the Protestant lands of Scandinavia and Britain (or to the Protestant perspective of a North German like Schumacher), the European Coal and Steel Community carried a certain whiff of authoritarian incense. Tage Erlander, the Swedish Social Democratic Prime Minister from 1948–68, actually ascribed his own ambivalence about joining to the overwhelming Catholic majority in the new Community. Kenneth Younger, a senior adviser to Bevin, noted in his diary entry for May 14th 1950—five days after learning of the Schuman Plan—that while he generally favoured European economic integration the new proposals might 'on the other hand, ... be just a step in the consolidation of the Catholic 'black international' which I have always thought to be a big driving force behind the Council of Europe.' At the time this was not an extreme point of view, nor was it uncommon.

The ECSC was not a 'black international.' It was not really even a particularly effective economic lever, since the High Authority never did exercise the kind of power Monnet intended. Instead, like so many of the other international institutional innovations of these years, it provided the psychological space for Europe to move forward with a renewed self-confidence. As Adenauer explained to Macmillan ten years later, the ECSC was not really even an economic organization at all (and Britain, in his view, had thus been right to stand aside from it). It was not a project for European integration, Monnet's flights of fantasy notwithstanding, but rather the lowest common denominator of West European mutual interest at the time of its signing. It was a political vehicle in economic disguise, a device for overcoming Franco-German hostility.

Meanwhile, the problems that the European Coal and Steel Community was designed to address began to resolve themselves. In the last quarter of 1949 the Federal Republic of Germany regained the industrial output levels of 1936; by the end of 1950 it had surpassed them by one-third. In 1949 West Germany's trade balance with Europe was based on the export of raw materials (essentially coal). A year later, in 1950, that trade balance was negative, as Germany was consuming its own raw materials to fuel local industry. By 1951 the balance was once again positive and would stay so for many years to come, thanks to the German export of manufactured goods. By the end of 1951 German exports had grown to over six times the level of 1948 and German coal, finished goods and trade were fueling a European economic renaissance—indeed by the late Fifties western Europe was suffering the effects of a glut of coal. How much of this can be attributed to the ECSC is a matter of some doubt—it was Korea, not Schuman, that sent the West German industrial machine into high gear. But in the end it did not much matter.

If the European Coal and Steel Community was so much less than was claimed for it—if the French commitment to supranational organs was simply a device to control a Germany that they continued to distrust, and if the European economic boom owed little to the actions of a High Authority whose impact on competition, employment and prices was minimal—why, then, did the British refuse to join it? And why did it seem to matter so much that they stood apart?

The British had nothing against a European customs union—they were quite in favour of one, at least for other Europeans. What made them uncomfortable was the idea of a supranational executive implied in the institution of a High Authority, even if it only directed the production and pricing of two commodities. London had been clear about this for some time—in 1948, when Bevin discussed with the Labour Cabinet American proposals for a future Organisation for European Economic Cooperation, his main concern was that 'effective control should be in the hands of the national delegations ... to prevent the secretariat (or an independent chairman) from taking action on its own ... There should be no question of instructions being given by the organization to individual members.'

This British reluctance to relinquish any national control was obviously incompatible with Monnet's purpose in the ECSC. But the British saw the ECSC as the thin edge of a continental wedge in British affairs, whose implications were more dangerous for being unclear. As Bevin explained to Acheson when justifying Britain's refusal to join, 'Where matters of such vital importance are at stake we cannot buuy a pig in a poke, and [I] am pretty sure that if the Americans had been placed in a similar position they would have thought the same.' Or, as he put it more colourfully to his aides when expressing his misgivings over the Council of Europe: 'If you open that Pandora's Box, you never know what Trojan 'orces will jump out.'

Some of the British reasoning was economic. The British economy—particularly that part of it which relied on trade—appeared in far healthier condition than that of its continental neighbours. In 1947 British exports represented, by value, the sum of the exports of France, Italy, western Germany, the Benelux countries, Norway and Denmark combined. Whereas western European states at that time traded chiefly with one another, Britain had extensive commerce with the whole world—indeed. Britain's trade with Europe in 1950 was much less than it had been in 1913.

In the eyes of British officials, therefore, the country had more to lose than to gain by committing itself to participation in binding economic arrangements with countries whose prospects looked very uncertain. A year before Schuman's proposal, the UK position, expressed in private by senior civil servants, was that 'there is no attraction for us in long-term economic cooperation with Europe. At best it will be a drain on our resources. At worst it can seriously damage our economy.'
To which should be added the Labour Party's particular anxiety at joining continental arrangements of a kind that might limit its freedom to pursue 'socialist' policies at home, policies closely tied to the corporate interests of the old industrial unions who had founded the Labour Party fifty years earlier; as acting Prime Minister Herbert Morrison explained to the Cabinet in 1950, when Schuman's invitation was (briefly) considered: 'It's no good, we can't do it, the Durham Miners won't wear it.

And then there was the Commonwealth. In 1950 the British Commonwealth covered large tracts of Africa, South Asia, Australasia and the Americas, much of it still in British hands. Colonial territories from Malaya to the Gold Coast (Ghana) were net dollar earners and kept significant sums in London—the notorious 'sterling balances'. The Commonwealth was a major source of raw materials and food, and the Commonwealth (or Empire as most people still referred to it) was integral to British national identity, or so it seemed at the time. To most policymakers it was obviously imprudent—as well as practically impossible—to make Britain part of any continental European system that would cut the country off from this other dimension of its very existence.

Britain, then, was part of Europe but also part of a world-wide Anglophone imperial community. And it had a very particular relationship with the United States. The British people tended to be ambivalent about America—perceiving it from afar as a 'paradise of consumer splendours' (Malcolm Bradbury) in contrast to their own constrained lives, but resenting it for just that reason. Their governments, however, continued to profess faith in what would later be called the 'special relationship' between the two countries. In some degree this derived from Britain's presence at the wartime 'top table', as one of the three Great Powers at Yalta and Potsdam, and as the third nuclear Power following the successful test of a British bomb in 1952. It drew, too, on the close collaboration between the two countries during the war itself. And it rested, a little, on the peculiarly English sense of superiority towards the country that had displaced them at the imperial apex.  

The Americans were frustrated by the UK's reluctance to merge its fate with Europe and irritated by Britain's insistence upon preserving its impartial standing. However, there was more to London's stance in 1950 than imperial self-delusion or bloody-mindedness. Britain, as Jean Monnet would later acknowledge in his memoirs, had not been invaded or occupied: she felt no need to exercise history. The British experienced World War Two as a moment of national reconciliation and rallying together, rather than as a corrosive rent in the fabric of the state and nation,
VI

Into the Whirlwind

'Say what you will—the Communists were more intelligent. They had a
grandiose program, a plan for a brand-new world in which everyone
would find his place... From the start there were people who realized they
lacked the proper temperament for the idyll and wished to leave the
country. But since by definition an idyll is one world for all, the people
who wished to emigrate were implicitly denying its validity. Instead of
going abroad, they went behind bars'.

Milan Kundera

'And so it was necessary to teach people not to think and make judgments,
to compel them to see the non-existent, and to argue the opposite of what
was obvious to everyone'.

Boris Pasternak, Doctor Zhivago

'I met many people in the camp who managed to combine a shrewd sense
of what was going on in the country at large with a religious cult of Stalin'.

Evgenia Ginsburg, Journey into the Whirlwind

'Stalinism means the killing of the inner man. And no matter what the
sophists say, no matter what lies the communist intellectuals tell, that's
what it all comes down to. The inner man must be killed for the
communist Decalogue to be lodged in the soul'.

Alexander Wat

'Here they hang a man first and then they try him'.

Molière, Monsieur de Poucraugnac

To Western observers in the years after 1945, the Soviet Union presented a daunting
prospect. The Red Army marched on foot and hauled its weapons and supplies
on carts powered by draught animals; its soldiers were granted no leave and, if they
hesitated, no quarter: 157,593 of them had been executed for 'cowardice' in 1941 and
1942 alone. But after a halting start, the USSR had out-produced and out-fought
the Nazi colossus, ripping the heart from the magnificent German military ma-
chine. For its friends and foes alike, the Soviet victory in World War Two bore wit-
now heading to Europe (in 1965, for the first time, British trade with Europe would overtake its trade with the Commonwealth). After the Suez debacle Canada, Australia, South Africa and India had all taken the measure of British decline and were re-orienting their trade and their policies accordingly: towards the US, towards Asia, to what would soon be dubbed the 'third' world.

As for Britain itself: America might be the indispensable ally, but it could hardly furnish the British with a renewed sense of purpose, much less an updated national identity. On the contrary, Britain's very dependence on America illustrated the nation's fundamental weakness and isolation. And so, even though little in their instincts, their culture or their education pointed them toward continental Europe, it was becoming obvious to many British politicians and others—not least Macmillan himself—that one way or another, the country's future lay across the Channel. Where else but to Europe could Great Britain now look to recover its international standing?

The 'European project', in so far as it ever existed outside the heads of a few idealists, had stalled by the mid-nineteen-fifties. The French National Assembly had vetoed the proposed European army, and with it any talk of enhanced European coordination. Various regional accords on the Benelux model had been reached—notably the Scandinavian 'Common Nordic Labor Market' in 1954—but nothing more ambitious was on the agenda. Advocates of European cooperation could point only to the new European Atomic Energy Community, announced in the spring of 1955; but this—like the Coal and Steel Community—was a French initiative and its success lay, symptomatically, in its narrow and largely technical mandate. If the British were still as skeptical as ever about the prospects for European unity, theirs was not an altogether unreasonable view.

The push for a fresh start came, appropriately enough, from the Benelux countries, who had the most experience of cross-border union and the least to lose from diluted national identities. It was now clear to leading European statesmen—notably Paul-Henri Spaak, foreign minister of Belgium—that political or military integration was not feasible, at least for the present. In any event, by the mid-fifties European concerns had shifted markedly away from the military preoccupations of the previous decade. The emphasis, it seemed clear, should be placed on European economic integration, an arena in which national self-interest and cooperation could be pursued in concert without offending traditional sensibilities. Spaak, together with his Dutch counterpart, convened a meeting at Messina, in June 1955, to consider this strategy.

The participants at the Messina conference were the ECSC six, together with a (low-ranking) British 'observer'. Spaak and his collaborators put forward a range of suggestions for customs union, trading agreements and other quite conventional projects of trans-national coordination, all of them carefully packaged to avoid offending the sensibilities of Britain or France. The French were cautiously enthusiastic; the British decidedly doubtful. After Messina the negotiations continued in an international planning committee chaired by Spaak himself, with the task of making firm recommendations for a more integrated European economy, a 'common market'. But by November 1955 the British had dropped out, alarmed at the prospect of just the sort of pre-federal Europe they had always suspected.

The French, however, decided to take the plunge. When the Spaak Committee reported back in March 1956 with a formal recommendation in favor of a Common Market, Paris concurred. British observers remained doubtful. They were certainly aware of the risks of being left out—as a British government committee confidentially observed just a few weeks before Spaak's recommendations were made public, 'should the Messina powers achieve economic integration without the United Kingdom, this would mean German hegemony in Europe'. But in spite of this, the urgings of the Anglophile Spaak, and the fragility of the international Sterling area as revealed a few months later at Suez, London could not bring itself to throw in its lot with the 'Europeans'. When the Treaty establishing a European Economic Community (and Euratom, the atomic energy authority) was signed at Rome on March 25th 1957, and became effective on January 1st 1958, the new EEC—its headquarters in Brussels—comprised the same six countries that had joined the Coal and Steel Community seven years before.

It is important not to overstate the importance of the Rome Treaty. It represented for the most part a declaration of future good intentions. Its signatories laid out a schedule for tariff reductions and harmonization, offered up the prospect of eventual currency alignments, and agreed to work towards the free movement of goods, currencies and labor. Most of the text constituted a framework for instituting procedures designed to establish and enforce future regulations. The only truly significant innovation—the setting up under Article 177 of a European Court of Justice to which national courts would submit cases for final adjudication—would prove immensely important in later decades but passed largely unnoticed at the time.

The EEC was grounded in weakness, not strength. As Spaak's 1956 report emphasized, 'Europe, which once had the monopoly of manufacturing industries and obtained important resources from its overseas possessions, today sees its external position weakened, its influence declining and its capacity to progress lost in its divisions.' It was precisely because the British did not—and yet—understand their situation in this light that they declined to join the EEC. The idea that the European Common Market was part of some calculated strategy to challenge the growing power of the United States—a notion that would acquire a certain currency in Washington policy circles in later decades—is thus quite absurd: the new-formed

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1Quoted in Alan Milward, The European Rescue of the Nation-State (Berkeley and Los Angeles, U of California Press, 1992), page 239.
EEC depended utterly upon the American security guarantee, without which its members would never have been able to afford to indulge in economic integration to the exclusion of all concern with common defense.

Not everyone even in the member states was entirely pleased with the new proposals. In France many conservative (including Gaullist) deputies voted against ratification of the Rome Treaty on 'national' grounds, while some socialists and left radicals (including Pierre Mendès-France) opposed the formation of a 'little Europe' without the reassuring presence of Great Britain. In Germany, Adenauer's own Economics Minister, the enthusiastic free-trader Ludwig Erhard, remained critical of a neo-mercantilist 'customs union' that might damage Germany's links with Britain, restrict trade flows and distort prices. In Erhard's view, the EEC was a 'macro-economic nonsense'. As one scholar has perceptively observed, things could well have turned out differently: 'If Erhard had ruled Germany, the likely result would have been an Anglo-German Free Trade Association with no agricultural component, and the effects of economic exclusion would eventually have forced France to join.'

But it didn't happen that way. And the final shape of the EEC did have a certain logic to it. In the course of the 1950s the countries of continental Western Europe traded increasingly with one another. And they each traded above all with West Germany, on whose markets and products the European economic recovery had thus come increasingly to depend. Moreover, every post-war European state was now deeply involved in economic affairs: through planning, regulation, growth targeting and subsidies of all sorts. But the promotion of exports; the redirection of resources from old industries to new ones; the encouragement of favored sectors like agriculture or transport: all these required cross-border cooperation. None of the West European economies was self-sufficient.

This trend towards mutually advantageous coordination was thus driven by national self-interest, not the objectives of Schuman's Coal and Steel Authority, which was irrelevant to economic policy making in these years. The same concern to protect and nourish local interests that had turned Europe's states inwards before 1939 now brought them closer together. The removal of impediments and the lessons of the recent past were perhaps the most important factors in facilitating this change. The Dutch, for example, were not altogether happy at the prospect of high EEC external tariffs that would inflate local prices, and like their Belgian neighbors they worried about the absence of the British. But they could not risk being cut off from their major trading partners.

German interests were mixed. As Europe's main exporting nation Germany had a growing interest in free trade within Western Europe—the more so because German manufacturers had lost their important markets in eastern Europe and had no former colonial territories to exploit. But a tariff-protected European customs union confined to six countries was not necessarily a rational German policy objective, as Erhard understood. Like the British, he and many other Germans might have preferred a broader, looser European free trade area. But as a principle of foreign policy, Adenauer would never break with France, however divergent their interests. And then there was the question of agriculture.

In the first half of the twentieth century, too many inefficient European peasants produced only just sufficient food for a market that could not pay them enough to live on. The result had been poverty, emigration and rural fascism. In the hungry years immediately after World War Two all sorts of programs were put in place to encourage and assist arable farmers in particular to produce more. To reduce dependence on dollar-denominated food imports from Canada and the US, the emphasis was placed upon encouraging output rather than efficiency. Farmers did not need to fear a return of the pre-war price deflation: until 1951 agricultural output in Europe did not recover to pre-war levels, and between protection and government price-supports farmers' income was anyway effectively guaranteed. In a manner of speaking, the Forties were thus a golden age for Europe's farmers. In the course of the 1950s, output continued to increase even as surplus rural labor was drained off into new jobs in the cities Europe's peasants were becoming increasingly efficient farmers. But they continued to benefit from what amounted to permanent public welfare.

The paradox was particularly acute in France. In 1950 the country was still a net food importer. But in the years that followed the country's agricultural output soared. French production of butter increased by 76 percent in the years 1949–56; cheese output by 116 percent between 1949 and 1957. Beet sugar production in France rose 201 percent from 1950 to 1957. The barley and maize crops grew by an astonishing 348 percent and 815 percent respectively in the same period. France now was not merely self-sufficient; it had food surpluses. The third Modernization Plan, covering the years 1957–61, favored still more investment in meat, milk, cheese, sugar and wheat (the staple products of northern France and the Paris basin, where the influence of France's powerful farming syndicates was greatest). Meanwhile the French government, always conscious of the symbolic significance of the land in French public life—and the very real importance of the rural vote—sought to maintain price supports and find export markets for all this food.

This issue played a vital role in the French decision to join the EEC. France's chief economic interest in a European common market was the preferential access it would afford to foreign—especially German (or British)—markets for meat, dairy and grain products. This, together with the promise of continued price supports and a commitment by its European partners to buy up superfluous French farm output, was what convinced the National Assembly to vote for the Rome Treaty. In exchange for an undertaking to open their home market to German non-agricultural exports, the French effectively shifted their domestic system of rural

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guarantees onto the backs of fellow EEC members, thereby relieving Paris of an intolerably expensive (and politically explosive) long-term burden.

This is the background to the EEC's notorious Common Agricultural Policy (CAP), inaugurated in 1962 and formalized in 1970 after a decade of negotiations. As fixed European prices rose, all of Europe's food production became too expensive to compete on the world market. Efficient Dutch dairy combines were no better off than small and unproductive German farms, since all were now subject to a common pricing structure. In the course of the 1960s the EEC devoted its energies to forging a set of practices and regulations designed to address this problem. Target prices would be established for all food items. EEC external tariffs would then bring the cost of imported agricultural products up to these levels—which were typically keyed to the highest priced and least efficient producers in the Community.

Each year, the EEC would henceforth buy up all its members' surplus agricultural output, at figures 5–7 percent below the 'target' prices. It would then clear the surplus by subsidizing its resale outside the Common Market at below-EU prices. This manifestly inefficient proceeding was the result of some very old-fashioned horse-trading. Germany's small farms needed heavy subsidies to remain in business. French and Italian farmers were not especially high-priced, but no-one dared instruct them to restrict production, much less require that they take a market price for their goods. Instead each country gave its farmers what they wanted, passing the cost along in part to urban consumers but above all to taxpayers.

The CAP was not wholly unprecedented. The grain tariffs of late-nineteenth-century Europe, directed against cheap imports from North America, were partly analogous. There were various attempts at the depths of the Slump of the early 1930s to shore up farm prices by buying surpluses or paying farmers to produce less. In a never-implemented 1938 agreement between Germany and France, Germany would have promised to take French agricultural exports in return for France opening its domestic market to German chemical and engineering products (a wartime exhibition in occupied Paris devoted to 'La France européenne' emphasized France's agrarian wealth, and the benefits that would accrue to it from participation in Hitler's New Europe).

Modern agriculture has never been free of politically motivated protections of one kind or another. Even the US, whose external tariffs fell by 90 percent between 1947 and 1967, took care (and still does) to exclude agriculture from this liberalization of trade. And farm products were from an early stage excluded from the deliberations of GATT. The EEC, then, was hardly unique. But the perversity consequences of the Common Agricultural Policy were perhaps distinctive all the same. As European producers became ever more efficient (their guaranteed high incomes allowing them to invest in the best equipment and fertilizer), output vastly exceeded demand, especially in those commodities favored by the policy: the latter was markedly skewed in favor of the cereal and livestock in which big French agri-businesses tended to specialize, while doing little for the fruit, olive and vegetable farmers of southern Italy.

As world food prices fell in the late 1960s, EEC prices were thus stranded at absurdly high levels. Within a few years of the inauguration of the Common Agricultural Policy, European maize and beef would be selling at 200 percent of world prices, European butter at 400 percent. By 1970 the CAP employed four out of five of the Common Market's administrators, and agriculture was costing 70 percent of the budget, a bizarre situation for some of the world's most industrialized states. No single country could have sustained so absurd a set of policies, but by transferring the burden to the Community at large, and tying it to the broader objectives of the Common Market, each national government stood to gain, at least in the short run. Only the urban poor (and non-EEC farmers) lost out from the CAP, and the former at least were typically compensated in other ways.

At this stage most West European countries were of course not members of the EEC. A year after the Common Market was inaugurated, the British—still trying to head off the emergence of a super-national European bloc—suggested that the EEC be expanded into an industrial free-trade zone including the EEC member-states, other European countries and the British Commonwealth. De Gaulle, predictably, rejected the idea. In response, and at the initiative of the UK, a number of countries then met in Stockholm in November 1959 and formed themselves into the European Free Trade Association (EFTA). The member states—Austria, Switzerland, Denmark, Norway, Sweden, Portugal and the UK, later joined by Ireland, Iceland and Finland—were mostly prosperous, peripheral, and enthusiastic proponents of free trade. Their agriculture, with the exception of Portugal, was small-scale but highly efficient and oriented to the world market.

For these reasons, and because of their close links to London (especially in the case of the Scandinavian countries), they had little use for the EEC. But EFTA was (and remains) a minimalist organization, a reaction to the defects of Brussels rather than a genuine alternative. It was only ever a free-trade zone for manufactured goods; farm products were left to find their own price level. Some of the smaller member-states, like Austria, Switzerland or Sweden, could thrive in a niche market for their high-value-added industrial goods and their attraction for tourists. Others, like Denmark, depended heavily on Britain as a market for their meat and dairy products.

But Britain itself needed a vastly larger industrial export market than its tiny Scandinavian and Alpine allies could provide. Recognizing the inevitable—that still hoping to influence the shape of EEC policy—Harold Macmillan's government formally applied to join the European Economic Community in July 1961, six years after London's disdainful disengagement from the Messina talks. Ireland and Denmark, their economies umbilically linked to that of the UK, applied alongside it. Whether the British application would have been successful is uncertain—most of the EEC member states still wanted Britain in, but they were also justifiably skep-
tical of London’s commitment to the core goals of the Rome Treaty. But the issue was moot—De Gaulle, as we have seen, publicly vetoed Britain’s entry in January 1963. It is an indication of the speed with which events had unfolded since the Suez crisis that Britain’s rejection from the hitherto disparaged European community prompted the following despairing entry in Macmillan’s private diary: ‘It is the end . . . to everything for which I have worked for many years. All our policies at home and abroad are in ruins.’

The British had little recourse but to try again, which they did in May 1967—only to be vetoed once more, six months later, by a calmly vengeful French President. Finally, in 1970, following De Gaulle’s resignation and subsequent death, negotiations between Britain and Europe were opened for a third time, culminating this time in a successful application (in part because British trade with the Commonwealth had fallen so far that London was no longer pressing a reluctant Brussels to guarantee third-party trading preferences to non-EEC nations). But by the time Britain, Denmark and Ireland finally joined, in 1973, the European Economic Community had taken shape and they were in no position to influence it as British leaders had once fondly hoped.

The EEC was a Franco-German condominium, in which Bonn underwrote the Community’s finances and Paris dictated its policies. The West German desire to be part of the European Community was thus bought at a high price, but for many decades Adenauer and his successors would pay that price without complaining, cleaving closely to the French alliance—rather to British surprise. The French, meanwhile, ‘Europeanized’ their farm subsidies and transfers, without paying the price of a loss of sovereignty. The latter concern had always been uppermost in French diplomatic strategy—back at Messina in 1955 the French foreign minister Antoine Pinay had made France’s objectives perfectly clear: supra-national administrative institutions were fine, but only if subordinated to decisions taken unanimously at the inter-governmental level.

It was with this goal in mind that De Gaulle browbeat the other member-states of the European Economic Community in the course of its first decade. Under the original Rome Treaty all major decisions (except for the admission of new members) were to be taken by majority vote in the inter-governmental Council of Ministers. But by withdrawing from inter-governmental talks in June 1966 until his fellow leaders agreed to adapt its agricultural funding to French demands, the French President hobbled the workings of the Community. After holding out for six months the other countries gave in; in January 1966 they reluctantly conceded that in future the Council of Ministers would no longer be able to pass measures by a majority vote. It was the first breach of the original Treaty and a remarkable demonstration of raw French power.

The early achievements of the EEC were nonetheless impressive. Intra-Community tariffs were removed by 1968, well ahead of schedule. Trade between the six member-states quadrupled in the same period. The farming workforce fell steadily, by some 4 percent each year, while agricultural production per worker rose in the Sixties at an annual rate of 8.1 percent. By the end of its first decade, and notwithstanding the shadow of De Gaulle, the European Economic Community had acquired an aura of inevitability, which is why other European states began lining up to join it.

But there were problems, too. A high-priced, self-serving customs union, directed from Brussels by a centralized administration and an unelected executive, was not an unalloyed gain for Europe or the rest of the world. Indeed, the network of protective agreements and indirect subsidies put into place at France’s bidding was altogether out of keeping with the spirit and institutions of the international trading system that had emerged in the decades following Bretton Woods. To the (considerable) extent that the EEC’s system of governance was modeled on that of France, its Napoleonic heritage was not a good omen.

Lastly, France’s influence in the European Community’s early years helped forge a new ‘Europe’ that was vulnerable to the charge that it had reproduced all the worst features of the nation-state on a sub-continental scale: there was always more than a little risk that the price to be paid for the recovery of Western Europe would be a certain Euro-centric provincialism. For all its growing wealth the world of the EEC was quite petty. In certain respects it was actually a lot smaller than the world that the French, or Dutch, had known when their nation-states opened on to people and places plunged far across the sea. In the circumstances of the time this hardly mattered to most West Europeans, who in any case had little option. But it would lead in time to a distinctly parochial vision of ‘Europe’, with troubling implications for the future.

Josef Stalin’s death in March 1953 had precipitated a power struggle among his nervous heirs. At first the head of the secret police, Lavrenti Beria, appeared likely to emerge as the dictator’s sole heir. But for just that reason, his colleagues conspired to assassinate him in July of that same year and after a brief detour via Georgy Malenkov it was Nikita Khrushchev—by no means the best-known of Stalin’s inner circle—who was confirmed two months later as the First Secretary of the Communist Party of the Soviet Union. This was somewhat ironic: for all his psychopathic disposition, Beria was an advocate of reforms and even of what was not yet called ‘de-Stalinization’. In the brief period of time separating Stalin’s death from his own arrest, he repudiated the Doctors’ Plot, released some prisoners from the Gulag and even proposed reforms in the satellite states, to the confusion of the local Party leaders there.

The new leadership, collective in name but with Khrushchev increasingly primus inter pares, had little choice but to follow the path that Beria had advocated. Stalin’s death, following many years of repression and impoverishment, had precipitated widespread protests and demand for change. In the course of 1953 and 1954 there
from France or Italy or Britain. For all their backwardness, the societies of Mediterranean Europe already belonged in a world they now aspired to join on equal terms, and the transition out of authoritarian rule was above all facilitated by the opportunity afforded them to do so. Their elites, who had once faced resolutely backward, now looked north. Geography, it appeared, had triumphed over history.

Between 1973 and 1986 the European Community passed through one of its periodic bursts of activism and expansion, what one historian has called its 'sequence of irregular big bangs.' French President Georges Pompidou, released by De Gaulle's death from the mortgage of his patron's disapproval—and more than a little perturbed, as we have seen, by the strategic implications of Willy Brandt's new Ostpolitik—made it clear that he would welcome Great Britain's membership of the EC. In January 1972, in Brussels, the EC formally approved the accession of Britain, Ireland, Denmark and Norway, to take effect a year later.

The successful British application was the work of the Conservative Prime Minister Edward Heath, the only British political leader since World War Two unambiguously and enthusiastically in favor of joining his nation's fate to that of its continental neighbors. When the Labour Party returned to office in 1974 and called a referendum on UK membership of the Community, the country approved by 17,300,000 to 8,400,000. But even Heath could not make the British—the English especially—'feel' European, and a significant share of voters on Right and Left alike continued to doubt the benefits of being 'in Europe.' The Norwegians, meanwhile, were quite distinctly of the view that they were better off outside: in a referendum in September 1972, 54 percent of the country rejected EC membership and opted instead for a limited free-trade agreement with the Community, a decision reconfirmed in an almost identical vote twenty two years later.39

British membership of the Community would prove controversial in later years, when Prime Minister Margaret Thatcher opposed the emerging projects for ever-closer union and demanded that Britain be refunded her 'overpayments' to the common budget. But in the Seventies London had problems of its own and, despite the price-inflationary impact of membership, was relieved to be part of a trading area that now supplied one third of Britain's inward investment. The first direct elections to a new European Parliament were held in 1979—until then, members of the European Assembly sitting in Strasbourg had been selected by the respective national legislatures—but aroused little popular interest. In the UK the turnout was predictably low, just 31.6 percent; but then it was not especially high elsewhere—in France only three out of five electors bothered to vote, in the Netherlands even fewer.

The adhesion of three 'northern' tier countries to the EC was relatively unproblematic for newcomers and old members alike. Ireland was poor but tiny, while Denmark and the UK were wealthy and thus net contributors to the common budget. Like the next round of prosperous additions, in 1995, when Austria, Sweden and Finland joined what was by then the European Union, the new participants added to the coffers and clout of the expanding community without significantly increasing its costs, or competing in sensitive areas with existing members. The newcomers from the South were a different matter.

Greece, like Ireland, was small and poor and its agriculture posed no threat to French farmers. Thus despite certain institutional impediments—the Orthodox Church had official and influential standing and civil marriage, to take one example, was not permitted until 1992—there were no powerful arguments against its admission, which was championed by French President Giscard d'Estaing among others. But when it came to Portugal and (above all) Spain, the French put up strong opposition. Wine, olive oil, fruit and other farm products cost far less to grow and market south of the Pyrenees; were Spain and Portugal to be admitted to the common European market on equal terms, the Iberian farmers would offer French producers stiff competition.

Thus it took nine years for Portugal and Spain to gain entry to the EC (whereas Greece's application went through in less than six), during which time the public image of France, traditionally positive in the Iberian peninsula, fell steeply; by 1983, two-thirds of the way through an acrimonious series of negotiations, only 39 percent of Spaniards had a 'favorable' view of France—an inauspicious beginning to their common future. Part of the problem was that the arrival of the Mediterranean nations entailed more than simply compensating Paris with a further increase in the Community's support payments to French farmers; between them Spain, Portugal and Greece brought an additional 58 million people into the Community, most of them poor and thus eligible for a variety of Brussels-funded programs and subsidies.40

Indeed, with the accession of three poor, agrarian countries, the Common Agricultural Fund took on heavy new burdens—and France ceased to be its main beneficiary. Various carefully negotiated deals had thus to be reached to compensate the French for their 'losses.' The newcomers in turn were duly compensated for their own disadvantages and for the long 'transition period' which France succeeded in imposing before allowing their exports into Europe on equal terms. The 'Integrated Mediterranean Programs'—regional subsidies in fact if not yet in name—that were provided to Spain and Portugal upon entry in 1986 had not been

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39 On both occasions the capital, Oslo, voted heavily in favor. But the decision was carried by an anti-European coalition of radicals, environmentalists, 'linguistic nationalists' and farmers from the country's coastal and northern provinces, along with fishermen vehemently opposed to the EEC's restriction of the exclusive coastal fishing zone to just twelve miles. Denmark's entry also brought in Greenland, at the time still governed from Copenhagen. But after Greenland achieved self-rule in 1979, a referendum was called in which the country voted to leave the EEC, the only member-state ever to do so.

40 This was offset, however, by new investment opportunities for the private sector: the proportion of foreign-owned shares in Spanish companies rose 374 percent in the years 1983–1992.
It was in these years, then, that the European Community acquired its unflattering image as a sort of institutionalized cattle market, in which countries trade political alliances for material reward. And the rewards were real. The Spanish and Portuguese did well enough out of 'Europe' (though not as well as France), Spanish negotiators becoming notably adept at advancing and securing their country's financial advantage. But it was Athens that really cleaned up: despite initially falling behind the rest of the Community in the course of the Eighties (and replacing Portugal as the Community's poorest member by 1990), Greece profited greatly from its membership.

Indeed, it was because Greece was so poor - by 1990 half of the Community's poorest regions were Greek - that it did so well. For Athens, EC membership amounted to a second Marshall Plan: in the years 1985-1989 alone, Greece received $7.9 billion from EC funds, proportionately more than any other country. So long as there were no other poor countries waiting in line, this level of redistributive generosity - the price of Greek acquiescence in Community decisions - could be absorbed by the Community's national paymasters, chiefly West Germany. But with the costly unification of Germany and the prospect of a new pool of indigent applicant-states from Eastern Europe, the generous precedents of the Mediterranean accession years would prove burdensome and controversial, as we shall see.

The bigger it grew, the harder the European Community was to manage. The unanimity required in the inter-governmental Council of Ministers ushered in in-terminable debates. Decisions could take years to be agreed - one directive on the definition and regulation of mineral water took eleven years to emerge from the Council chambers. Something had to be done. There was a longstanding consensus that the European 'project' needed an infusion of purpose and energy - a conference at The Hague back in 1969 was the first of an irregular series of meetings intended to 're-launch Europe' - and the personal friendship of France's President Valéry Giscard d'Estaing and German Chancellor Schmidt in the years 1975-1981 favored such an agenda.

But it was easier to advance by negative economic integration - removing tariffs and trade restrictions, subsidizing disadvantaged regions and sectors - than to agree on purposeful criteria requiring positive political action. The reason was simple enough: so long as there was sufficient cash to go around, economic cooperation could be presented as a net benefit to all parties; whereas any political move in the direction of European integration or coordination implicitly threatened national leaders of dominant states agreed for reasons of their own to work together toward some common purpose could change be brought about.

Thus it was Willy Brandt and Georges Pompidou who had launched the first system of monetary coordination, the 'Snake'; Helmut Schmidt and Giscard d'Estaing who developed it into the European Monetary System (EMS); and Helmut Kohl and François Mitterrand, their respective successors, who would mastermind the Maastricht Treaty of 1992 that gave birth to the European Union. It was Giscard and Schmidt, too, who invented 'summit diplomacy' as a way to circumvent the impediments of a cumbersome supranational bureaucracy in Brussels - a further reminder that, as in the past, Franco-German cooperation was the necessary condition for the unification of Western Europe.

The impulse behind Franco-German moves in the Seventies was economic anxiety. The European economy was growing slowly if at all, inflation was endemic and the uncertainty resulting from the collapse of the Breton Woods system meant that exchange rates were volatile and unpredictable. The Snake, the EMS and the écu were a sort of second-best - because regional rather than international - response to the problem, serially substituting the Deutschmark for the dollar as the stable currency of reference for European bankers and markets. A few years later the replacement of national currencies by the euro, for all its disruptive symbolic implications, was the logical next step. The ultimate emergence of a single European currency was thus the outcome of pragmatic responses to economic problems, not a calculated strategic move on the road to a pre-determined European goal.

Nevertheless, by convincing many observers - notably hitherto skeptical Social Democrats - that economic recovery and prosperity could no longer be achieved at a national level alone, the successful monetary collaboration of Western European states served as an unexpected stepping stone to other forms of collective action. With no powerful constituency opposed in principle, the Community's heads of state and government signed a Solemn Declaration in 1985 committing them to a future European Union. The precise shape of such a Union was then hammered out in the course of negotiations leading to a Single European Act (SEA) which was approved by the European Council in December 1985 and entered into force in July 1987.

The SEA was the first significant revision of the original Rome Treaty. Article One stated clearly enough that 'The European Communities and European political cooperation shall have as their objective to contribute together to making concrete progress towards European unity.' And merely by replacing 'Community' with 'Union' the leaders of the twelve member nations took a decisive step forward in principle. But the signatories avoided or postponed all truly controversial business, notably the growing burden of the Union's agricultural budget. They also stepped cautiously around the embarrassing absence of any common European policy on defense and foreign affairs. At the height of the 'new Cold War' of the
in the 1980s, and on the verge of momentous developments unfolding a few dozen miles to their East, the member states of the European Union kept their eyes resolutely fixed upon the internal business of what was still primarily a common market, albeit one encompassing well over 300 million people.

What they did agree on, however, was to move purposefully towards a genuine single internal market in goods and labour (to be implemented by 1992), and to adopt a system of 'qualified majority voting' in the Union's decision-making process—'qualified', that is, by the insistence of the bigger members (notably Britain and France) that they retain the power to block proposals deemed harmful to their national interest. These were real changes, and they could be agreed to because a single market was favored in principle by everyone from Margaret Thatcher to the Greens, albeit for rather different reasons. They facilitated and anticipated the genuine economic integration of the next decade.

A retreat from the system of national vetoes in the European Council was unavoidable if any decisions were to be taken by an increasingly cumbersome community of states that had doubled its size in just thirteen years and was already anticipating applications for membership from Sweden, Austria and elsewhere. The larger it grew, the more attractive—and somehow inevitable—the future European Union would become to those not yet inside it. To citizens of its member states, however, the most significant feature of the European Union in these years was not the way in which it was governed (about which most of its people remained entirely ignorant), nor its leaders' projects for closer integration, but the amount of money flowing through its coffers and the way that money was disbursed.

The original Treaty of Rome contained only one agency with a specific remit to identify regions within its member states that needed assistance and then dispense Community cash to them: the European Investment Bank, initiated at Italy's insistence. But a generation later regional expenditures, in the form of cash subsidies, direct aid, start-up funds and other investment incentives were the leading source of budgetary expansion in Brussels and by far the most influential lever at the Community's disposal.

The reason for this was the confluence of regionalist politics within the separate member states and growing economic disparities between the states themselves. In the initial post-WWII years, European states were still unitary, governed from the center with little regard for local variety or tradition. Only the new Italian constitution of 1948 even acknowledged the case for regional authorities; and even so, the limited local governments that it stipulated remained a dead letter for a quarter of a century. But just when local demands for autonomy became a serious factor in domestic political calculations all over Europe, the EC for its own reasons inaugurated a system of regional funds, beginning in 1975 with the European Regional Development Fund (ERDF).

From the point of view of Brussels-based officials, the ERDF and other so-called 'structural funds' had two purposes. The first was to address the problem of eco-

28 Of course the Common Agricultural Policy, the other major charge on the EU budget, had long had the effect of exacerbating the very regional distortions that the Cohesion Funds and others were now supposed to help eliminate...
disadvantaged or newly de-industrialized zones, angry at being neglected by unresponsive national politicians. In the first category were to be found Catalonia, Lombardy, Belgian Flanders, West Germany's Baden-Württemburg or Bavaria, and the Rhône-Alpes region of south-east France (which together with the Île-de-France comprised nearly 40 percent of French GDP by 1990). In the second category were Andalusia, much of Scotland, French-speaking Wallonia and many others.

Both categories stood to gain from European regional policies. Wealthy regions like Catalonia or Baden-Württemburg set up offices in Brussels and learned how to lobby on their own behalf, for investment or for Community policies favoring local over national institutions. Political representatives from disadvantaged regions were just as quick to manipulate grants and aid from Brussels to increase their local popularity—and thereby pressure compliant authorities in Dublin or London into encouraging and even supplementing Brussels' largesse. These arrangements suited everyone: European coffers might hemorrhage millions to subsidize tourism in the depopulated West of Ireland or to underwrite tax-incentives to attract investors to areas of chronic unemployment in Lorraine or Glasgow; but even if only from enlightened self-interest, the beneficiaries were becoming loyal 'Europeans'. Ireland successfully replaced or updated much of its dilapidated transport and sewerage infrastructure in this way, and among poorer, peripheral member states it was not alone.27

The SEA expanded Community powers into many policy areas—the environment, employment practices, local research-and-development initiatives—in which the EC had not previously been involved, all of which entailed the dispensing of Brussels funds directly to local agencies. This cumulative 'regionalisation' of Europe was bureaucratic and costly. To take one tiny example that can stand for hundreds: Italy's Alto Adige/South Tyrol region, on the country's northern frontier with Austria, was officially classified by Brussels in 1975 as 'mountainous' (an uncontentious claim); thirteen years later it was officially declared to be over 90 percent 'rural' (no less self-evident to any casual traveler), or—in Brussels jargon—an 'Objective 5-b Area'. In this dual capacity the Alto Adige was now eligible for environmental protection funds; grants to support agriculture; grants to improve vocational training; grants to encourage traditional handicrafts; and grants to ameliorate living conditions in order to retain population.

Accordingly, between 1993 and 1999 the tiny Alto Adige received a total of 96 million euros (worth roughly the same amount in 2005 euros). In the so-called 'Third Period' of European structural funding, scheduled to run from 2000–2006, a further 37 million euros were to be put at the province's disposal. Under 'Objective

27Richter countries were typically less beholden to Brussels and maintained closer control of their affairs. In France, despite the 'decentralization' enshrined in laws passed during the 1980s, the reins of budgetary power stayed firmly in Parisian hands. As a result, prosperous regions of France followed the international trend and benefited from their EU links, but poor districts remained dependent on state aid above all.

Two' these monies were to be disbursed for the sole benefit of the 83,000 residents who lived in 'exclusively' mountainous or 'rural' zones. Since 1990, a government department in Bolzano, the provincial capital, has been devoted exclusively to instructing local residents how to benefit from 'Europe' and European resources. Since 1991 the Province has also maintained an office in Brussels (shared with the neighboring Italian Trentino province and the Austrian region of Tyrol). The official website of the Province of Bolzano (available in Italian, German, English, French and Latvian, a variety of the Swiss Romansch dialect) is enthusiastically European, as well it might be.

The result, in the South Tyrol as elsewhere, was that—costly or not—integrating the continent 'from the bottom up', as its advocates insisted, did seem to work. When the 'Council [later the Assembly] of European regions' was launched in 1983 it already comprised 107 member regions, with many more to come. A certain sort of united Europe was indeed beginning to come into focus. Regionalism, once the affair of a handful of linguistic recidivists or nostalgic folklorists, was now offered as an alternate, 'sub-national' identity: displacing the nation itself and all the more legitimate in that it came with the imprimatur of official approval from Brussels and even—albeit with distinctly less enthusiasm—from national capitals as well.

The residents of this increasingly parcelled Community, whose citizens now professed multiple elective allegiances of variable cultural resonance and daily significance, were perhaps less unambiguously 'Italian' or 'British' or 'Spanish' than in decades past: but they did not necessarily therefore feel more 'European', despite the steady proliferation of 'European' labels and elections and institutions. The lush undergrowth of agencies, media, institutions, representatives and funds brought many benefits but won scant affection. One reason was perhaps the very abundance of official outlets for discharging and overseeing the administration of European largesse: the already complex machinery of modern state government, its ministries and commissions and directorates, was now doubled and even tripled from above (Brussels) and below (the province or region).

The outcome was not just bureaucracy on an unprecedented scale but also corruption, induced and encouraged by the sheer volume of funding available, much of it requiring the exaggeration and even invention of local needs and thus all but inviting the sorts of venal, local abuses that passed unnoticed by the Community's managers in Brussels but risked discrediting their enterprise even in the eyes of its beneficiaries. Between a reputation for policy-making by distant unelected civil servants, and well-stocked rumors of political back-scratching and profit-seeking, 'Europe' in these years was not well served by its own achievements.

The familiar shortcomings of local politics—clientelism, corruption, manipulation—that the better-run nation states were thought to have overcome now resurfaced on a continental scale. Public responsibility for occasional 'Euroscandals' was prudently shifted by national politicians onto the shoulders of an invisible class of unelected 'Eurocrats', whose had name carried no political cost.
Meanwhile the ballooning Community budget was defended by its recipients and promoters in the name of cross-national 'harmonization' or rightful compensation (and fuelled from the Community's seemingly bottomless funds).

'Europe', in short, was coming to represent a significant 'moral hazard', as its carping critics, in Britain in particular, gleefully insisted. The decades-long drive to overcome continental disunity by purely technical measures was looking decidedly political, while lacking the redeeming legitimacy of a traditional political project pursued by an elected class of familiar politicians. Insofar as 'Europe' had a distinctive goal, its economic strategy was still grounded in the calculations and ambitions of the Fifties. As for its politics: the confident, interventionist tone of pronouncements from the European Commission—and the authority and open chequebooks with which European experts descended on distant regions— bespoke a style of government rooted firmly in the social-democratic heyday of the early Sixties.

For all their laudable efforts to transcend the shortcomings of national political calculation, the men and women who were constructing 'Europe' in the Seventies and Eighties were still curiously provincial. Their greatest trans-national achievement of the time, the Schengen Agreement signed in June 1985, is revealingly symptomatic in this respect. Under the terms of this arrangement France, West Germany and the Benelux countries agreed to dismantle their common frontiers and inaugurate a shared regime of passport control. Henceforward it would be easy to cross from Germany to France, just as it had long been unproblematic to move between, say, Belgium and Holland.

But Schengen signatories had to commit themselves in return to ensuring the most stringent visa and customs regimes between themselves and non-participating countries: if the French, for example, were to open their frontiers to anyone crossing from Germany, they had to be sure that the Germans themselves had applied the most stringent criteria at their points of entry. In opening the internal frontiers between some EC member states, therefore, the Agreement resolutely reinforced the external borders separating them from outsiders. Civilized Europeans could indeed transcend boundaries—but the 'barbarians' would be kept resolutely beyond them.  

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The 'Schengen zone' has since been expanded to encompass other EU member states, but the UK has remained outside and France, among other participants, has reserved the right to re-impose border controls on security grounds.

Every politically significant revolution is anticipated by a transformation of the intellectual landscape. The European upheavals of the 1980s were no exception. The economic crisis of the early Seventies undermined the optimism of Western Europe's post-war decades, fracturing conventional political parties and propelling unfamiliar issues to the center of public debate. Political argument on both sides of the Cold War divide was breaking decisively with decades of entrenched mental habits—and, with unexpected speed, forming new ones. For better and for worse, a new realism was being born.

The first victim of the change in mood was the consensus that had hitherto embraced the post-war state, together with the neo-Keynesian economics that furnished its intellectual battlements. By the late 1970s the European welfare state was starting to count the cost of its own success. The post-war baby-boom generation was entering middle age, and government statisticians were already warning of the cost of supporting it in retirement—a problem that loomed closer on the budgetary horizon thanks to widespread reductions in the retirement age. Of West German males aged 60–64, for example, 72 percent were working full time in 1960; twenty years later, only 44 percent of men in this age group were still employed. In the Netherlands the fall was from 81 percent to 58 percent.

Within a few years the largest generational cohort in Europe's recorded history would cease to contribute taxes to the national exchequer and would begin to extract huge sums—whether in the form of guaranteed state pensions or, indirectly but with comparable impact, by making increased demands upon state-maintained
suburbs north of Brussels, the more traditional Dutch-speaking parties felt obliged to adopt more sectarian positions in order to compete.

Similarly, in Wallonia and Brussels, politicians from the French-speaking mainstream parties adopted a harder ‘communitarian’ line, the better to accommodate Walloon voters who resented Flemish domination of the political agenda. As a result, all the mainstream parties were eventually forced to split along linguistic and community lines: in Belgium the Christian Democrats (since 1968), the Liberals (since 1972), and the Socialists (since 1978) all exist in duplicate, with one party of each type for each linguistic community. The inevitable result was a further deepening of the rift between the communities, as politicians now addressed only their own ‘kind’.

A high price was thus paid to mollify the linguistic and regional separatists. In the first place, there was an economic cost. It was not by chance that by the end of the twentieth century Belgium had the highest ratio of public debt to gross domestic product in Western Europe—it is expensive to duplicate every service, every loan, every grant, every sign. The established practice of using public money (including EU regional grants) on a proportional basis to reward clients of the various community ‘pillars’ was now applied to the politics of the language community: ministers, state secretaries, their staffs, their budgets and their friends are universal, but only in Belgium does each come attached to a linguistic doppelganger.

By the end of the century ‘Belgium’ had taken on a decidedly pro forma quality. Entering the country by road, a traveler could be forgiven for overlooking the rather apologetic signpost inscribed with a diminutive ‘Belgie’ or ‘Belgique’; yet visitors could hardly miss the colorful placard informing them of the province (Liège, say, or West-Vlaanderen) that they had just entered, much less the information board (in Dutch or French but not both) indicating that they were in Flanders or Wallonia. It is as though the conventional arrangements had been handily inverted: the country’s international borders were a mere formality, but its internal frontiers were imposing and very real. Why, then, did Belgium not simply come apart?

There are three factors that help account for Belgium’s improbable survival, and more broadly for the persistence of all the states of Western Europe. In the first place, with the passing of generations and the implementation of constitutional reforms, the separatist case lost its urgency. The old communitarian ‘pillars’—hierarchically organized social and political networks that substituted for the nation-state—were already in decline. A younger generation of Belgians was prov-

![Image](38x-341 to 804x850)

1The main newspapers, Le Soir and De Standaard, have almost no readers outside the French- and Dutch-speaking communities respectively. As a result, neither takes much trouble to report news from the other half of the country. When someone speaks Dutch on Walloon television (and vice-versa) subtitles are provided. Even the automatic information boards on interregional trains switch back and forth between Dutch and French (or to both, in the case of Brussels) as they cross the regional frontiers. It is partly a jest to say that English is now the common language of Belgium.

The decline in religious practice, the accessibility of higher education, and the move from countryside to town loosened the grip of the traditional parties. For obvious reasons this was especially true of the ‘new’ Belgians: hundreds of thousands of second- and third-generation immigrants from Italy, Yugoslavia, Turkey, Morocco or Algeria. Like the new Basques, these people have pressing concerns of their own and little interest in the dusty agendas of ageing separatists. Opinion polls through the Nineties indicated that most people, even in Flanders, no longer put regional or language issues at the head of their concerns.

Secondly, Belgium was rich. The obvious difference between Belgium and other, less fortunate parts of Europe where nationalists were able successfully to exploit communal sensibilities is that for the vast majority of residents modern Belgian life was both tranquil and materially sufficient. The country is at peace—if not with itself then at least with everyone else—and the same prosperity that underwrote the ‘Flemish miracle’ also attenuated the politics of linguistic resentment. This observation applies with equal force to Catalonia or even to parts of Scotland, where the more extreme exponents of the case for national independence saw their arguments steadily defanged by the mobilizing effects of unaccustomed affluence.

The third reason for the survival of Belgium—and of Western Europe’s other internally fragmented nation-states—has less to do with economics than with geography, though the two are closely related. If Flanders—or Scotland—could in the end remain comfortably part of Belgium or the UK it was not because they lacked the intensity of national sentiment that appeared to have re-surfaced in former Communist lands. Quite the contrary: the desire for self-rule was palpably stronger in Catalonia, say, than in Bohemia; and the gulf separating Flemands from Wallonians was far wider than that between Czechs and Slovaks or even Serbs and Croats. What made the difference was the fact that the states of Western Europe were no longer free-standing national units with a monopoly of authority over their subjects. They were also and increasingly part of something else as well.

The formal mechanism for a move towards full European Union was set out in the Single European Act (SEA) of 1987; but what really drove the process forward was the end of the Cold War. The SEA had committed the twelve members of the Community to achieving by 1992 the full and free circulation of goods, services, capital and people—hardly a breakthrough, since these same objectives were already envisaged in principle decades before. It was the Maastricht Treaty of that year, and its successor Treaty of Amsterdam five years later, that propelled the Union’s members into a truly novel set of institutional and financial arrangements, and these were the direct outcome of radically changed external circumstances.
At Maastricht, it was the much-publicized agreement to establish a common European currency that caught public attention. The French, to overcome their anxiety at German unification, bound the Federal Republic firmly into the 'West' by getting Bonn to agree to abandon the Deutschemark for a single European currency unit—the euro—and by committing the enlarged German state to operating within the constraints of a European Union bound by an ever-denser mesh of laws, rules and agreements. Bonn, in return, insisted that the new currency be a carbon copy of the old Deutschemark, regulated—like the German currency—by an autonomous board of central bankers and committed to the fiscal principles of the German central bank: low inflation, tight money, and minimal deficits. The German negotiators—wary of the profligate tendencies of 'Club Med' countries like Italy or Spain—imposed draconian conditions for membership of the new currency, with the European Commission authorized to impose fines upon reprobate governments.

At Bonn's behest, Europe's finance ministers would thus be bound, Ulysses-like, to the euro-mast: unable to respond to the Siren-calls of voters and politicians for easier money and increased public spending. These terms, designed to insure that the new euro would be as inflation-proof as the Deutschemark itself, were not universally popular—in the poorer member states it was widely and rightly feared that they would constrain public policy and perhaps even prevent growth. And so, in order to make the Maastricht conditions more palatable, cash bonuses were made available to recalcitrant governments: Jacques Delors, the Commission President, all but bribed the finance ministers of Greece, Spain, Portugal and Ireland, promising large increases in EU structural funds in return for their signatures on the Treaty.

The UK and Denmark, meanwhile, signed the main body of the Treaty but opted out of the proposed common currency—partly in anticipation of its economically restrictive impact; partly because of its symbolic resonance in nations already more reluctant than most to abandon the trappings of sovereignty to transnational agencies; and in the case of the UK because—as so often in the past—the march to Union was regarded with acute misgivings as a further step towards a European super state.

To be sure, the Maastricht Treaty made much play with 'subsidiarity'—a sort of Occam's Razor for eurocrats, stating that 'the Union does not take action (except in the areas which fall within its exclusive competence) unless it is more effective than action taken at national, regional or local level.' But even this had different meanings for different ears: in France it meant limiting the power of supranational bodies beyond Paris's control; for the Germans, it implied special privileges and

The more historically disposed perhaps called to mind the passage in the *Memorial de Sainte-Hélène* by the Comte de Las Cases, where the exiled Napoleon Bonaparte envisages a future 'association européenne' with 'one code, one court, one currency.'
Maastricht had three significant side-effects. One of them was the unforeseen boost it gave to NATO. Under the restrictive terms of the Treaty it was clear (as the French at least had intended) that the newly liberated countries of eastern Europe could not possibly join the European Union in the immediate future—neither their fragile legal and financial institutions nor their convulsive economies were remotely capable of operating under the strict fiscal and other regulations the Union's members had now imposed upon all present and future signatories.

Instead, it was suggested in the corridors of Brussels that Poland, Hungary and their neighbours might be offered early membership of NATO as a sort of compensation: an interim prize. The symbolic value of extending NATO in this way was obviously considerable, which is why it was immediately welcomed in the new candidate member-states. The practical benefits were less obvious (unlike the damage to relations with Moscow which was real and immediate). But because Washington had reasons of its own for favouring the expansion of the North Atlantic Defense community, a first group of central European nations was duly admitted to NATO a few years later.

The second impact was on European public awareness. Maastricht Treaty provoked an unprecedented level of interest in what had hitherto been the obscure workings of the European Union and its anonymous bureaucracy. Even though the Treaty was approved in every country where it was put to a national vote (albeit by just 50.1 percent in the French case) it aroused sufficient opposition to place the question of 'Europe' on domestic political agendas, often for the first time. For four decades, the institutions and rules of a new continental system had been quietly designed and decided in obscure Benelux towns with no reference to public wishes or democratic procedure. Those days, it appeared, were over.

The third consequence of Maastricht was that it cleared the way for the coming together not, indeed, of Europe, but at least of its western half. The end of the Cold War, and the EU's commitment to a single market, removed the impediments to membership for the remaining members of the old European Free Trade Area. Sweden, Finland and Austria all duly applied, no longer constrained by their commitment to neutrality (or, in the Finnish case, by the need to maintain good relations with Moscow) and increasingly nervous at being left out of the common European space.

The accession negotiations with the new applicants were completed in just three months, facilitated by the fact that all three countries were not only stable and small—their combined population less than one quarter of that of Germany—but also decided rich. The same would have been true of the last remaining hold-outs, Norway and Switzerland. But despite considerable enthusiasm on the part of local business leaders the populations of both countries voted against membership—fearful of losing their autonomy and initiative in a supranational federation and skeptical of the benefits of participation in the new currency.

A comparable skepticism marked the closeness of the vote in Sweden in November 1994, when EU membership was put to a referendum. Just 52.3 percent voted in favour, and even then only on the understanding that their country would stay out of the common currency (ten years later, when the government in Stockholm recommended to the nation that they finally abandon the krona and join the euro, it was decisively and humilitatingly defeated in a referendum, just as the Danish government had been in September 2000 when it posed the same question). The reaction of Per Gahrton, Swedish Riksdag member for the Green Party and a bitter opponent of EU membership, echoed a widespread Scandinavian anxiety: 'This is the day that the Riksdag decided to transform Sweden from an independent nation to a sort of province within an expanding superpower, in the process converting itself from a legislative body to little more than an advisory panel.'

Gahrton's feelings were shared by many northern Europeans, including some who nonetheless voted in favour of membership. Even those in the Swiss or Scandinavian political and business elites who wanted to join the EU, so as not to miss out on the benefits of the single market, recognized that there were economic and political costs to that option: in private they conceded that if the decision went against them it would not be an unmitigated disaster for their countries. In Sweden—or Norway, or even Denmark and the UK—the EU (not to speak of its newly integrated currency) was seen as a choice, not a necessity.

In Central and Eastern Europe however, membership of 'Europe' was the only possible option. Whatever their reasoning—whether it was to modernize their economies, secure new markets, obtain foreign aid, stabilize their domestic politics, lock themselves into 'the West' or simply head off the temptation of a retreat into national Communism—the new rulers from Tallinn to Tirana looked to Brussels. The prospect of joining the EU, with its promise of affluence and security, was dangled temptingly before the liberated electorates of post-Communist Europe. Don't be seduced by those who tell you it was better under the old system, they were warned. The pain of transition will have been worth it: Europe is your future.

See Chapter 21. The pain was real enough. East European countries lost between 30 and 40 percent of their national income in the years after 1989. The first to recover: its 1989 level was Poland, in 1997; others took until 2000 or beyond.
exclusive, open to all the peoples of Europe. Participation in the European Economic Community, the European Community and finally the European Union itself was the right of any European state 'whose system of government is founded on the principles of democracy' and which agreed to accept the terms of membership.

But on the other hand the Union was functionally exclusive. Each new agreement and treaty had further complicated the requirements placed upon member-states in return for binding them into the 'European' family; and these regulations and rules had the cumulative result of building ever-higher fences to keep out countries and peoples who could not meet the tests. Thus the Schengen Treaty (1985) was a boon for the citizens of participating states, who now moved unhindered across open borders between sovereign states. But residents of countries outside the Schengen club were obliged to queue—quite literally—for admission.

Maastricht, with its rigid requirements for a common currency and its insistence that all aspiring member-states integrate into their systems of governance the _acquis communautaire_, the rapidly burgeoning code of European practices, was the ultimate bureaucratic exclusion zone. It posed no impediment to Nordic applicants or Austria, but presented an awesome hurdle for would-be candidates from the East. Committed by the terms of its own charter to welcoming the new Europeans into its fold, the EU in practice sought to keep them out as long as possible.

There were good reasons for this. Even the wealthiest of the new hopefuls—Slovenia, say, or the Czech Republic—were distinctly poorer than any existing EU member, and most of them were very poor indeed. By any measure the gulf separating East and West Europe was huge: infant mortality in the Baltic states was twice the average of the fifteen EU member states in 1996. The life expectancy of males in Hungary was eight years short of the EU average; in Latvia, eleven years.

If Hungary, or Slovakia or Lithuania—much less Poland, with its 38 million inhabitants—were admitted to the Union on the same terms as its present members the cost in subsidies, regional assistance, infrastructure grants and other transfers would surely break the EU budget. In December 1994 the Bertelsmann Foundation in Germany published a study suggesting that if the six countries of Central Europe then seeking entry (Poland, Hungary, Slovakia, the Czech Republic, Romania and Bulgaria) were admitted on the same terms as existing members, the cost in structural funds alone would exceed thirty billion Deutsche marks a year.

This was widely feared could provoke a backlash in the electorates of the countries paying most of the Union's bills and who would surely have to be asked to contribute even more: the Netherlands and Britain but especially, and more ominously, Germany. In any case, the recipient countries in the East were in no position to put up even the minimum matching funds required under existing EU regulations. What post-Communist Europe really needed was a Marshall Plan, but no-one was offering it.

In addition to being expensive, the new recruits would be troublesome. Their legal systems were corrupt or dysfunctional, their political leaders untested, their currencies unstable, their borders porous. Their needy and indigent citizens, it was feared, would either head West in search of work and welfare or else stay home and accept derisory wages—tempting foreign investors and employers away from the old countries of the EU. Either way they would constitute a threat. There was talk of western Europe being 'overrun'—a distant but unmistakable echo of Herder's fears of the rumbling of the 'wild peoples' of eastern Europe. No one doubted that the EU could do wonders for eastern Europe. But what might eastern Europe do to the EU?

With these concerns in mind, the western Europeans duly procrastinated. In the immediate aftermath of 1989 the German Foreign Minister Hans-Dietrich Genscher initially proposed that the European Union absorb all the countries of Eastern Europe as soon as possible, as a prophylactic measure against a nationalist backlash. But he was soon brought to heel; and although Margaret Thatcher continued to press enthusiastically for early enlargement (calculating that an enlarged Union would inevitably be diluted into the pan-European free trade area of British dreams) it was the French approach that came to dominate EU strategy.

François Mitterrand's first response had been to propose a loose-knit 'European Confederation'—a sort of outer tier of associate membership, open to all-comers with no conditions and few material benefits. In later years French diplomats would bemoan the lack of support for this suggestion, regretting the lost opportunity for 'calm collaboration' towards an enlarged Union. But at the time it was rightly seen as a transparent ploy, to corral the newly liberated Eastern European states into an ersatz 'European community' that would justify keeping them out of the real thing indefinitely. Václav Havel understood this from the start, which is why he rejected it out of hand (and became for a while _persona non grata_ at the Elysée Palace).

Instead, relations between eastern and western Europe remained for the next few years stuck at the level of bilateral exchanges and trade accords, with certain countries—Hungary, Poland, the Czech Republic and Slovakia—accorded a strictly limited 'associational' status vis-à-vis the EU but nothing more. However, the Moscow coup of 1991 and the Balkan wars that broke out shortly afterwards focused Western attention on the risks of letting the post-Communist countries fester in uncertainty; and it was duly agreed at an EU summit meeting in Copenhagen in June 1993 that in principle—and at a date yet to be determined—the associated countries in Central and eastern Europe that so desire shall become members of the European Union.

This did little to alleviate the frustration of the would-be members whose dealings with Brussels and the Western capitals had left them, in the understated words of the Polish Prime Minister Hanna Suchocka, 'disappointed.' And indeed the political leaders of Eastern Europe spent much of the rest of the decade patiently and frustratingly seeking firm commitments from their reluctant Western partners,
promising their domestic constituents that EU membership really was on the agenda while taking every opportunity to impress upon their foreign interlocutors the urgency of making it so.

But Western attention was elsewhere. The transition to a new common currency and the translation into practice of the Maastricht plans for institutional integration were the dominant preoccupation in every Western European capital. In Germany there was growing anxiety at the costs and difficulties of integrating the territories of the former GDR. Meanwhile the Yugoslav catastrophe—which at first had served to remind Western statesmen of the risks of underestimating post-Communist problems in general—had now become a full-time obsession.

The gaze of prominent intellectuals—a sure barometer of passing political fashions—had moved away. It was only a few years since 'Central Europe' had been rediscovered by Western commentators, with Havel, Kundera, Michnik and their colleagues the toast of editorial pages and higher-brow periodicals from Paris to New York. But history was passing swiftly on: Prague and Budapest, their miraculous transition out of tyranny already a fading memory, had been left to tourists and businessmen. Bernard-Henri Levy and Susan Sontag were more likely to be found in Sarajevo. Central Europe's fifteen minutes of fame had passed and with it any public pressure to expedite its absorption into Western institutions. In public, politicians and managers in Brussels insisted upon their continued desire to see the Union enlarged to its East when conditions were 'ripe'. Off the record they were more candid. As one very senior European Commission official observed in the mid-Nineties, 'no one here is serious about enlargement'.

Enlargement, nevertheless, was on the agenda. Under the EU's own rules it could not deny countries the right to apply for membership. The European Commission was accordingly constrained to accept applications from Hungary and Poland in 1994, Romania, Slovakia, Latvia, Estonia, Lithuania and Bulgaria in 1995, and Slovenia and the Czech Republic in 1996. The ten former Communist candidates thus joined Malta and Cyprus, both of whom had submitted applications in 1989, and Turkey (whose application had been languishing since 1987). All of these candidate countries were now packed in a rather crowded ante-room, awaiting the Union's attention.

In 1997 the Treaty of Amsterdam added a series of important technical amendments to the original Rome Treaty, filling out the goals of Maastricht and putting teeth into the Union's stated intention to develop a program of European citizenship and Europe-wide institutions to address employment, health, the environment and the glaring absence of a common foreign policy. At this point, with the common currency scheduled to come into effect in 1999, the Union had completed a decade of internal integration that had absorbed all its bureaucratic energies. There was no longer any excuse for postponing the far thornier issue of expansion.

The preference of some national leaders, and many of the senior officials at the European Commission, would have been to limit accession negotiations to the "easy" cases: small countries like Slovenia or Hungary, contiguous to the Union's existing borders and with relatively modernized economies, which posed only a limited challenge to the EU's institutional framework and its budget. But it soon became clear that this might be politically imprudent—left out in the cold Romania, or Poland, could drift into dangerously undemocratic waters—and so, beginning in 1998, the European Union officially initiated the accession process of all ten eastern European applicants together with Cyprus. Malta was added to the list shortly afterwards. Turkey, however, was held back.

From this point the enlargement took on a dynamic of its own, notwithstanding continuing misgivings on the part of a number of existing EU members and, to judge from opinion polls, widespread lack of enthusiasm among their populations. Bilateral accession negotiations were set in motion, first: with a presumptive inner core of candidates: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia; and then, a year later, with the rest: Bulgaria, Romania, Slovakia, Latvia, Lithuania and Malta. Poland's presence in the first group, in spite of the economic difficulties it posed, was explained by its size and prominence. Slovakia, conversely, was 'relegated' to the second tier in response to the stagnation and corruption wrought there by Mečiar's authoritarian rule—and as a warning and example to others.

There followed five years of intense and sometimes acrimonious negotiations. 'Brussels' descended upon the capitals of all the candidate countries, showering them with advisors, recommendations, examples, programmes and instructions in an effort to bring their institutions, laws, regulations, practices and civil services up to a minimum standard compatible with those of the Union. The applicants, in turn, pressed as hard as they dared for assurances that they would have free access to EU consumers, while defending their domestic market from being overwhelmed by more attractive and efficient goods and services from the West.

The struggle was decidedly unequal. Whereas the EU was the longstanding and openly avowed object of Eastern desires, the putative new members could offer little in return except the promise of good behaviour. And thus it was agreed that while the new members would be accorded a few limited concessions—among them temporary restraints upon foreign purchases of land, a sensitive political issue—they would have to accept that the EU, despite its commitment to a single market, was going to impose considerable restrictions upon their own export of goods and, especially, people.

In response to wildly exaggerated estimates of likely population flows (one European Commission report published in 2000 prophesied an annual exodus of 335,000 from the ten eastern accession states if the frontiers were opened without restriction), most of the Western member states insisted on quotas being placed on the number of eastern Europeans who could move to the West—in blatant disregard of the spirit and indeed the letter of a decade of proclamations and treaties. Germany, Austria and Finland imposed strict limits for two years with an option
to extend these for a further five. Belgium, Italy and Greece followed suit. Only the UK and Ireland declared their willingness to conform to the "open door" principles of the Union—while announcing that welfare benefits for work-seekers from Eastern Europe would be kept to a minimum.

The eastward extension of agricultural subsidies and other benefits was also placed within strict limits. In part, as the Commission's Transition Report 2002 put it, this was because of questions about the accession countries' capacities to absorb and use efficiently the post-accession grants from the EU's cohesion and structural funds. But the main reason was simply to hold down the cost of enlargement and minimize competition for Western producers. Not until 2013 would East European farmers get the same subsidies as those already being paid out in the West—by which time, it was hoped, most of them would have retired or gone out of business.

By the time the negotiations were complete, the terms agreed and the 97,000 pages of the Union's acquis communaute was duly incorporated into the governing codes of the applicant states, the actual enlargement itself came as something of an anti-climax. Having waited fifteen years to join, most of the new states could be forgiven for lacking the enthusiasm they might have exhibited a decade earlier. In any case, many of the practical benefits of Western engagement had already been discounted—notably in car manufacturing, where former Communist states had a ready supply of cheap, skilled labour and in which companies like Volkswagen, Renault and Peugeot-Citroën invested heavily during the Nineties. Between 1989 and 2003 the cumulative total of foreign direct investment for Eastern Europe as a whole had reached $117 billion.

By the early twenty-first century, foreign investment in former Communist Europe was actually tapering off. Ironically, this was largely a result of the coming EU enlargement. Once they were inside the Union it would certainly be easier to do business in and with countries like Poland or Estonia. And they in turn would be able to sell more to the West: Poland expected to double its food exports to the EU within three years of joining. But these were the fruits of relative backwardness. Once they were inside the EU, wages and other costs in the countries of Eastern Europe would begin to rise to Western levels. The region's cost advantage over factories in India, or Mexico, would be lost. Profit margins—at least in the manufacturing sector—would start to fall.

Meanwhile, thanks to the heavy cost of unraveling the Communist economies, East Europe on the eve of accession remained far behind the countries of the EU. Per capita GDP even in the most prosperous new member states was far below their Western neighbours: in Slovenia it stood at 69 percent of the EU average, in the Czech Republic at 59 percent, in Hungary 54 percent. In Poland it was just 41 percent, in Latvia, the poorest new member, 33 percent. Even if the economies of the new EU states kept growing on average 2 percent faster than those of the exist-

At the dawn of the twenty-first century the European Union faced a daunting range of problems: some old, some new and some of its own making. Its economic troubles were perhaps the most familiar and in the end the least serious of its concerns. With or without the new member states the EU continued to spend—as it had done from the outset—huge amounts of money on its farmers. Forty percent of the Union's budget—or $52 billion in 2004—went on politically motivated 'farm support payments'; many of them to large mechanized agri-businesses in France or Spain that hardly needed the help.

Even after agreement had been reached to reduce these subsidies and cut the Common Agricultural Program it was anticipated that farm price supports would still constitute over a third of the EU's total expenditure well into the second decade of the new century, placing an intolerable burden upon the budget. The problem was not that the Union was poor. Quite the contrary: the collective wealth and resources of its members were comparable to those of the US. But its budget, in the words of an independent report commissioned by Brussels in 2003, was a 'historical relic'.

The European Union had started out, half a century before, as a customs union—a "common market"—bound together by no more than a common external tariff. Its pattern of expenditure was driven and then constrained by ne-
negotiated agreements on tariffs, prices, subsidies and supports. Over the years its ambitions had expanded into the realms of culture, law, government and politics and it had taken on—in Brussels and elsewhere—many of the external trappings of a conventional government.

But whereas conventional governments are free to raise money to meet their anticipated costs, the European Union had and has very few revenue-raising capacities of its own. Its income derives from fixed rates of customs duty, agricultural levies, a Union-wide indirect sales tax (VAT) and, above all, contributions from member-states capped at just 1.24 percent of Gross National Income (GNI). Thus very little of the EU’s income is under the direct control of the Union’s own administration—and all of it is vulnerable to political pressures within the separate member-states.

Most of the latter are recipients of EU largesse rather than contributors to its budget. In 2004, following its enlargement to the East, nineteen of the Union’s member countries received from Brussels more than they paid in. The cost of running the Union was in practice met by net contributions from just six member states: the UK, France, Sweden, Austria, the Netherlands and Germany. Ominously for the Union’s future prospects, all six countries petitioned the Commission in December 2003 to have national contributions to the EU budget reduced in future from 1.24 percent of GNI to just 1 percent.

The Union’s budget, tiny in comparison to that of even the smallest member-state and mostly spent on structural funds, price supports and the EU’s own costly administration, is thus a permanent hostage to the interests of its contributors and recipients alike. The levers of the Union’s economic machinery depend for their efficiency upon the consent of all its constituent parts. Where everyone more or less concurs on the principle and benefits of a given policy—on open internal borders, or unrestricted markets for goods and services—the EU has made remarkable progress. Where there is real dissent from a handful of members (or even just one, particularly if it is a major contributor), policy stalls: tax harmonization, like the reduction of agricultural supports, has been on the agenda for decades.

And sometimes the clock runs backwards. After two decades of Brussels-driven efforts to eliminate state subsidies for favoured national ‘champions’ and thereby secure a level playing field in intra-European economic competition, the EU’s single market commissioner (the Dutchman Frits Bolkestein) expressed his surprise in July 2004 at watching France and Germany revert to the ‘protectionist’ policies of the Seventies in defense of threatened local firms. But then both Berlin and Paris, unlike the unelected commissioners in Brussels, have tax-paying voters whom they simply cannot ignore.

These paradoxes of union are nicely captured in the tribulations of the euro. The problem with a common currency lay not in the technical substitution of a single unit of reference for a multitude of national currencies—this process was already under way long before the abolition of the franc or the lira or the drachma and
turned out to be surprisingly smooth and painless—but in the prerequisite harmonization of national economic policies. To avoid the moral hazard and practical risks of free riders, Bonn, as we have seen, had insisted upon what became known as the 'growth and stability pact'.

Countries wishing to join the euro were obliged to hold their public debt down to no more than 60 percent of GDP and were expected to run budget deficits of no more than 3 percent of GDP. Any country that failed these tests would be subject to sanctions, including substantial, imposed by the Union. The point of these measures was to ensure that no euro-zone government would let its fiscal guard, overrun its budget at will and thus place unfair strains on the economies of other euro-zone members who would have to bear the burden of ensuring the stability of the common currency.

To everyone's surprise the traditionally spendthrift southern tier proved surprisingly disciplined. Spain 'qualified' for euro membership by what one Spanish observer tartly described as a combination of fortuna and virtù: an upswing in the economy allowed the government to pay down the country's public debt just in time for the 1999 introduction of the currency. Even Italy managed to pass the Teutonic tests (which many Italians rightly suspected had been set up to keep them out), albeit with more than a little juggling of figures and the one-time sale of public assets. By 2003 the euro-zone encompassed twelve countries, ranging from Ireland to Greece.

But—as many skeptics had predicted—the strains of a 'one size fits all' currency soon began to tell. The newly established European Central Bank (ECB) in Frankfurt maintained from the outset a relatively high interest rate, to support the new currency and secure it against inflation. But the economies of the euro-zone states differed with respect both to their level of development and their point in the economic cycle. Some, like Ireland, were booming; others—notably Portugal—lagged far behind and could have used the boost to domestic activity as well as exports that would traditionally have been achieved by lowering interest rates and 'softening' the currency.

Shorn of the power to implement such measures, the government of Portugal was obliged by the terms of the 'pact' to reduce government expenditure—or else face substantial fines—just when it ought, in conventional economic theory, to have been spending its way out of recession. This did not make for domestic popularity; but at least the country could boast that it had not reneged on the terms of its participation in the new currency: by 2003 Lisbon had substantially reduced government debt to 39.4 percent of GDP and the annual deficit to 2.8 percent, squeezing under the official limits.

The next year, however, France ran a deficit of nearly 4.1 percent—and Germany, its ageing economy finally paying the price for unification, followed suit with a deficit of 3.9 percent and a debt ratio of nearly 65 percent. Given the size of their respective economies, the fact that neither France nor Germany was adhering to its own rules represented a significant challenge to the whole agreement. But this time, when the Commission set in motion the penalty proceedings, Paris and Berlin made it clear that they regarded the 'temporary' deficits as economically unavoidable and had no intention of paying fines or even committing themselves to doing significantly better the following year.

The Union's smaller states—both those like Greece or Portugal which had striven mightily and at some cost to meet the pact's terms and those such as the Netherlands and Luxembourg which feared for the stability of what was now their currency too—duly cried foul, but the lesson was clear. Within less than a decade of its appearance, the growth and stability pact was dead. Just how much the euro would actually suffer if the participating countries were allowed more flexibility in their domestic budgets was by no means clear. There were many who felt that the real problem lay not with national governments but rather with the rigid and seemingly unresponsive Central Bank, immovably insistent upon its complete independence and still fighting the anti-inflationary battles of the 1970s.

The difficulties of the euro pointed to a broader shortcoming in the European project: its extraordinarily unwieldy system of government. The problem lay in the original conception. Jean Monnet and his heirs had deliberately eschewed any effort to imagine, much less implement, a democratic or federal system. Instead they had driven forward a project for the modernization of Europe from above: a strategy for productivity, efficiency and economic growth conceived on Saint-Simonian lines, managed by experts and officials and with scant attention paid to the wishes of its beneficiaries. The energies of its proponents andponents were largely devoted to the complex technical dimensions of 'building Europe'. To the extent that other concerns ever arose, they were serially postponed.

By the 1990s, then, the European Union was still running along lines that had been laid down decades before and mostly for managerial convenience. The unelected Commission in Brussels administered a substantial bureaucracy, initiating policies and implementing agendas and decisions subject to the approval of a Council of Ministers from the member-states. An unwieldy European Parliament, sitting variously in Strasbourg and Brussels and directly elected since 1979, exercised a slowly expanding oversight role (in the original Rome Treaty its function had been strictly consultative) but no power of initiative.

Uncontentious decisions were typically made in Brussels by experts and civil servants. Policies likely to affect significant electoral constituencies or national interests were hammered out in the Council of Ministers and produced complicated compromises or else expensive deals. Whatever could not be resolved or agreed was

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1 On January 1st, 2002 a total of 600,000,000,000 euros in cash was seamlessly distributed and introduced across the euro-zone countries, a remarkable technical achievement.
simply left in abeyance. The dominant member states—Britain, Germany and above all France—could not always count on getting what they wanted; but whatever they truly did not want did not come to pass.

This was a unique set of arrangements. It bore no relation to the condition of the separate states of North America in 1776, all of which had emerged as satellites of a single country—Britain—whose language, culture and legal system they shared. Nor was it really comparable to the Swiss Confederation, although that analogy was occasionally suggested: in their centuries-old web of overlapping sovereignties, administrative enclaves and local rights and privileges the cantons of Switzerland more closely resemble old-regime France without the king.6

The member-states of the European Union, by contrast, remained completely independent and separate units in a voluntary association to which they had, over time, conceded a randomly accumulated set of powers and initiatives without ever saying what principle lay behind the arrangement and how far this common undertaking was to go. 'Brussels'—an appropriately anonymous headquarters for an undefined administrative entity, neither democratic nor authoritarian—governed only through the consent of its member governments. From the outset it had presented itself to all of these as a straightforwardly positive-sum undertaking: the Community/Union would contribute to its members' well-being without subtracting anything of significance from their independence. But this could not continue indefinitely.

What brought matters to a head was not the inherently complicated and incremental nature of the Union's system of rule, but the impossibility of maintaining it with twenty-five members. Hitherto the chairmanship of the Council of Ministers rotated every six months, with each country getting to host a self-promoting bi-annual European conference—a system already much disliked by the Union's full-time administrators. The prospect of such a circus sprawling around through twenty-five different capitals, from Lisbon to Ljubljana, was plainly absurd. Moreover, a decision-taking system designed for six member-states and already cumbersome for twelve, much less fifteen, would simply grind to a halt with fifty European Commissioners (two from each country), or a European Council representing twenty-five member-states—each with a power of veto.

The likely difficulties were all too well foreshadowed at a meeting in Nice in December 2000. Ostensibly called to lay the groundwork for enlargement and to devise a new voting system in the EU Council of Ministers—one that would weight member-states' votes by population while still ensuring that majority decisions could be reached—the conference ended in acrimonious and deeply embarrassing horse trading. The French insisted on maintaining parity with Germany (despite

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6If they still worked as smoothly as they did it was at least in part because the federal machinery was so very well oiled, not least by money: in the 1990s Switzerland was still by most measures the world's wealthiest country.

a population disparity of twenty million people) while countries like Spain and Poland, the latter accorded observer status at the meeting, sought to maximize their own future voting strength in the Council by selling their backing to the highest bidder.

The unseemly scramble for influence at Nice, as leading European statesmen like Tony Blair, Jacques Chirac and Gerhard Schroeder spent sleepless nights bargaining and bickering for status and influence in their common European home, illustrated the price that was now being paid for previous neglect of constitutional niceties. By bringing the Union to a new low, Nice led directly to the establishment of a 'European Convention': a sort of unselected constituent assembly authorized to produce a practical system of governance for an enlarged 'Europe' and, it was hoped, some credible account of the purposes of the whole thing. Following a certain amount of (by now familiar) lobbying from Paris, the presidency of the Convention was assigned to the ageing but ever-vainglorious Valéry Giscard d'Estaing.

After two years of deliberations, the Convention emitted something more than a draft but decidedly less than a constitution. Shorn of its portentous Giscardiens preamble (immediately and unfavourably contrasted with the elegant brevity of its Jeffersonian predecessor) the Convention's document offered little by way of classic constitutional proposals—no sweeping definitions of individual liberty, no clear statement concerning the division of powers, etc. In this respect, as many had predicted, it was a disappointment.

But Giscard's text—which after some discussion was adopted as a Constitutional Treaty in Rome in 2004—did provide a working blueprint for the practical management of the Union's affairs: improved systems of coordination on defense and immigration; a simplified and unified summary of EU law; a Charter of Fundamental Rights for EU citizens aimed at further strengthening the authority of the European courts; a clear and even ambitious account of the Union's formal competence and authority.

Above all, the proposed constitution would have served to reduce—over time—the top-heavy system of national representation in the Commission; and it devised a system for voting in the European Council that proved, after a certain amount of haggling, to be acceptable to all parties as well as demographically equitable. Whether the new dispositions would produce clear-cut majorities on difficult issues remained uncertain: all the more so since for truly contentious topics like taxation and defense it was nonetheless agreed—at British insistence but to the unspoken relief of many other countries—to retain the old Gaullist device of national vetoes. And no one was in any doubt that for all the careful distribution of weighted votes, real power still lay with the biggest countries—as Ortega y Gasset had already concluded in 1930, 'Europe' was for practical purposes 'the trinity of France, England, Germany'. But at least—and always assuming that the constitution was to be ratified in every member-state, which proved to be an unforeseen impediment—it would now be possible to reach decisions.
By 2004, then, the European Union had—to the surprise of many observers—seemingly overcome, or at least alleviated, the practical difficulties of governing an unwieldy and inchoate community of twenty-five separate states. But what it had not done—what neither Giscard's Convention, nor the various Treaties, nor the European Commission and its multifarious reports and programmes, nor the expensive publications and websites designed to educate the European public about the Union and its workings had even begun to do—was to address the chronic absence of interest on the part of the European public.

If the technocrats who built the institutions of the new 'Europe' had shown a haughty unconcern for the opinions of the public at large, this sentiment was now being repaid in kind and in earnest. Reflecting bleakly upon his Labour Party colleagues' obsession with the techniques and rules of party-political management, the British Prime Minister Clement Attlee used to advise against the 'fundamental fallacy' of believing that 'it is possible by the elaboration of machinery to escape the necessity of trusting one's fellow human beings'. But this was just the premise on which the institutions of post-war European unity had been built, with consequences that were at last becoming apparent. The EU was suffering from a serious 'democratic deficit'.

With each direct election to the European parliament the turnout fell; the only exceptions to this rule were those occasions where national and European elections coincided and voters who had been mobilized around local or national issues took the occasion to vote in the European polls as well. Otherwise the decline was unbroken—in France it fell from 60 percent in 1979 to 43 percent in 2004; in Germany from 66 percent to 43 percent; in the Netherlands from 58 percent to 39 percent.

The contrast between the level of interest that electors exhibited for national politics and their growing unconcern for the parliament in Strasbourg is especially revealing. At the European elections of June 2004, the first since the Union's enlargement, the vote in the UK was down by 20 percentage points from the most recent national elections, in Spain by 23 percentage points; Portugal saw a drop of 24 percentage points, Finland 39 percentage points, Austria 42 percentage points and Sweden 43 percentage points (from an 80 percent turnout in Sweden's own elections to just 37 percent for the European vote).

The pattern is far too consistent to attribute to local circumstances. Moreover—and with more serious implications for the Union's future—it was closely replicated in the new member-states of the East, even though this was their first opportunity to vote in an election to the parliament of Europe that they had waited so long to join. In Hungary the turnout in the June 2004 European elections fell short of the last national elections by 32 percentage points; in Estonia by 31 points; in Slovakia, where the latest national elections had seen a 70 percent turnout, the share of the electorate that bothered to come and vote in the European elections was 37 percent. In Poland the turnout of just 20 percent represented a 26-point decline from the national elections of 2001 and was the lowest since the fall of Communism.

Why were Europeans, 'old' and 'new' alike, so profoundly indifferent to the affairs of the European Union? In large part because of a widespread belief that they had no influence over them. Most European governments had never held a vote to determine whether or not they should join the EU or the euro-zone—not least because in those countries where the issue had been put to a national referendum it was rejected, or else passed by the narrowest of margins. So the Union was not 'owned' by its citizens—it seemed somehow to stand apart from the usual instruments of democracy.

Moreover there was a widespread (and accurate) sentiment among European publics that all of the institutions of the EU, the 732 elected Members of the European Parliament were the least significant. Real power lay with a Commission appointed by national governments and a Council of Ministers comprising their representatives. National elections, in short, were where the crucial choices were to be made. Why waste time selecting the monkey when you should be paying attention to the choice of organ grinder instead.

On the other hand, as was becoming increasingly clear to even the most casual citizen, the 'faceless' men and women in Brussels now wielded real power. Everything from the shape of cucumbers to the color and wording of a person's passport was now decided in Brussels. 'Brussels' could give (from milk subsidies to student scholarships) and 'Brussels' could take away (your currency, your right to dismiss employees, even the label on your cheese). And every national government had at one time or another over the past two decades found it convenient to blame 'Brussels' for unpopular laws or taxes, or economic policies which it tacitly favoured but for which it was reluctant to take responsibility.

In these circumstances, the Union's democratic deficit could easily turn from unconcern into hostility, into a sense that decisions were being taken 'there' with unfavourable consequences for us 'here' and over which 'we' had no say: a prejudice fuelled by irresponsible mainstream politicians but fanned by nationalist demagogues. It was not by chance that in the same European elections of 2004 that saw such a sharp falling off in voter interest, many of those who did bother to turn up at the polls gave their support to overtly—sometimes rabidly—anti-EU candidates.

In western Europe the enlargement itself helped trigger this backlash. In Britain the Eurosceptic UK Independence Party and the white-supremacist British National Party between them took 21 percent of the vote, promising to keep the UK clear of 'Europe' and protect it from the anticipated crush of immigrants and
asylum-seekers. In Belgium the Vlaams Blok, in Denmark the Dansk Folkeparti (Peoples Party), and in Italy the Northern League all played on a similar register—
as they had done in the past, but with rather more success on this occasion.

In France, Jean-Marie Le Pens Front National took a similar position; but French
doubts over European enlargement were not confined to the political extremes. It
was an open secret that the French political establishment had long been opposed
to the EU and thereby diluting French influence: Mitterrand, Chirac and their
diplomatic representatives had all worked hard to postpone the inevitable for
as long as possible. Public opinion echoed these sentiments: in a poll taken four
months before the new members were due to join the Union 70 percent of French
voters declared the EU `unprepared' for their arrival, while 55 percent opposed
their inclusion altogether (compared to 35 percent of EU voters as a whole).

But antipathy towards the EU also played a part in Eastern Europe. In the Czech
Republic, the Civic Democratic Party—aligned with Vaclav Klaus and loudly skep-
tical of the EU and its `over-mighty' powers—was the clear victor in 2004, winning
38 percent of the countrys European Parliamentary seats. In neighbouring Poland
Euro-skeptic parties of the far Right actually did better than the ruling center-left
coalition—not surprisingly, perhaps, considering that in a Eurobarometer poll
taken a few months previously only just over half the Polish electorate thought that
the European Union was a `good thing'.

And yet, taken all in all, the EU is a good thing. The economic benefits of the sin-
gle market have been real, as even the most ardent British Euroskeptics had come
to concede, particularly with the passing of the passion for `harmonizing' that
marked the Commission Presidency of Jacques Delors. The newfound freedom to
tavel, work and study anywhere in the Union was a boon to young people espe-
cially. And there was something else. In relative terms, the so-called `social' element
in the EU budget was tiny—less than 1 percent of the European-area GDP. But from
the late Eighties, the budgets of the European Community and the Union
nevertheless had a distinctly redistributive quality, transferring resources from wealthy
regions to poorer ones and contributing to a steady reduction in the aggregate gap
between rich and poor: substituting, in effect, for the nationally based Social-
Democratic programmes of an earlier generation.16

In recent years the citizens of Europe had even acquired their own court. The
European Court of Justice (ECJ), set up in 1952 under the same Treaty of Paris that
established the European Coal and Steel Community, had started out with the lim-
ited task of ensuring that EC legislation (`Community law') was interpreted and
applied in the same way in each member-state. But by the end of the century its
tungal---originally one from each member-state—were authorized to settle legal
disputes between member-states and EU institutions, as well as to hear cases
brought against lower court decisions or even against national governments. The
ECJ had, in effect, assumed many of the powers and attributes of a pan-European
Court of Appeals.17

As the example of the Court suggests, the rather indirect and often unintention-
ally manner in which the Union's institutions emerged had its advantages. Very
few lawyers or legislators in even the most pro-European states of the European`
core' would have been willing to relinquish local legal supremacy had they been
asked to do so at the outset. Similarly, if a clearly articulated `European project',
describing the goals and institutions of the Union as they later evolved, had ever
been put to the separate voters of the states of western Europe it would surely have
been rejected.

The advantage of the European idea in the decades following World War Two
had thus lain precisely in its imprecision. Like `growth' or `peace'—with both of
which it was closely associated in the minds of its proponents—European was too
benign to attract effective opposition.18 Back in the early Seventies, when the French
President Georges Pompidou first took to speaking airily of a `European Union',
Foreign Minister Michel Jobert once asked his colleague Edouard Balladur (the fu-
ture French Premier) what exactly it meant: `Nothing' replied Balladur. `But then
that is the beauty of it.' Pompidou himself dismissed it as `a vague formula . . . in
order to avoid paralyzing doctrinal disputes.'19

Of course it is this formulaic vagueness, combined with the all-too-precise
detail of EU legislative directives, which has given rise to the democratic deficit: it is
hard for Europeans to care about a Union whose identity was for so long unclear,
but which at the same time appears to impinge upon every aspect of their existence.
And yet, for all its faults as a system of indirect government, the Union has certain
interesting and original attributes. Decisions and laws may be passed at a trans-
governmental level, but they are implemented by and through national authorities.
Everything has to be undertaken by agreement, since there are no instruments of
correction: no EU tax collectors, no EU policemen. The European Union thus rep-
resents an unusual compromise: international governance undertaken by na-
tional governments.

Finally, while the European Union has neither means nor mechanisms to pre-

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1It is perhaps worth adding that in January 2004 only one French adult in fifty could name the ten new
EU member states.

2Not everywhere, however: in the UK—as in the US—the income spread between the wealthy and the
poor grew steadily wider from the late 1970s.

14The ECJ should not be confused with the European Court of Human Rights, set up under the auspices
of the Council of Europe to enforce the 1955 Convention for the Protection of Human Rights and
Fundamental Freedoms.

15In Giscard's Constitution for Europe, Article 5(1) defines the Union's aims as being `to promote peace,
its values, and the well-being of its peoples'.

presenting their economic case in the World Trade Organization and elsewhere, they have reserved for themselves the vital attribute of any modern state. The European Union has no army.

In part this is an accident of history. In the early 1950s there were many who thought that in future the Western Europeans could and should organize their military affairs collectively—at an August 1950 meeting of the Council of Europe’s Consultative Assembly, Paul Reynaud of France even argued the case for a European Minister of War. But the defeat of the proposal for a European Defense Force (see Chapter 8), and the incorporation of West Germany into NATO, put an end to such ideas for a generation; instead Western Europe snuggled comfortably under the American nuclear umbrella.

Following the end of the Korean War and the retreat from empire, every Western European country cut its defense budget. With the fall of Communism, spending on the military reached new lows. In the late Eighties the average share of defense spending in NATO members’ budgets had already declined to 3.4 percent of GNP; by 2003 Denmark was spending just 1.6 percent of GNP on defense; Italy 1.5 percent; Spain a mere 1.4 percent. Only the French and British spent substantially more, though in neither case did spending now exceed 5 percent—negligible by historical standards.

Moreover, none of the armed forces of Europe was under ‘European’ control or likely to be in the foreseeable future, despite plans announced in 2000 for a European ‘Rapid Reaction Force’. Although there had for some years been a European Commissioner for External Relations, since the Treaty of Amsterdam his functions were duplicated (and his authority thereby diminished) by a High Representative for the Common Foreign and Security Policy, answerable only to the EU Council of Ministers. And neither the Commissioner nor the High Representative had any authority to initiate its own policy, despatch armed forces or speak for the foreign policies or ministers of the member-states unless previously instructed. Henry Kissinger’s sardonic question of an earlier decade—‘If I want to phone Europe, what number do I call?’—had lost none of its force.

But these limitations—the fact that in spite of its size and wealth the EU was not a state, much less a great power—paradoxically served to enhance its image, at home and abroad. In this respect at least the EU was indeed coming to resemble Switzerland, a repository of international agencies and cooperation, an exemplar of ‘post-national’ strategies for problem solving and social cohesion: not so much a network of institutions or a corpus of laws but rather a set of values—‘European values’—embodied in the new Charter of Fundamental Rights.

If the values and norms of this new Europe were under pressure at the end of the twentieth century it was not from the established nation-states against which the European idea had been traditionally but misleadingly juxtaposed. Instead, both the EU and its various member-states were now facing an unprecedented

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"Mordantly predicted at the time by the US Secretary of State Lawrence Eagleburger, who foresaw that the Europeans 'will screw up and this will teach them a lesson'."

"The EU was not alone in subsidizing its own farmers to the detriment of others. It was not even the worst offender: Norway, Switzerland, Japan and the US all pay out more in per capita terms. But the EU appeared somehow more hypocritical. While Brussels preach to the world at large, its own practice is often quite selective. East Europeans, instructed to incorporate and adopt a veritable library of European Union regulations, could hardly fail to notice the frequency with which West European governments exempted themselves from these same rules."

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"Scroll up and this will teach them a lesson."
wave of economic and social challenges brought upon them by forces largely beyond their control, most of them associated in one way or another with what it was becoming customary to designate as globalization.

There was nothing especially mysterious about globalization. It wasn’t even unprecedented—the impact on the world economy of new and rapid networks of transport and communications at the end of the nineteenth century was at least as dramatic as the transformation wrought by the Internet and the deregulation and liberalization of financial markets a century later. Nor was there anything new about the unequal global distribution of the benefits of liberalized trade—particularly when, at the end of the twentieth century no less than in the years before 1914, international trade regimes were so consistently accommodating to the interests of the powerful and wealthy.

But from the European perspective the latest transformations in the world economy were distinctive in one important respect. At the end of the nineteenth century the European states were just beginning to expand their domestic reach: in time many of them would own, operate or regulate large sectors of the economy. Government expenditure—financed out of new, progressive taxes—would increase dramatically, partly to pay for wars but increasingly for the purpose of servicing social and welfare needs for which the state was now assuming responsibility.

The economic internationalization of the nineteen-nineties, however, followed closely in the wake of the first great wave of European privatizations and provided the impetus for more to come (see Chapter 17). The European state was now in retreat—first in Britain, then much of Western Europe and finally in the former-Communist East—a process furtherabetted by the implementation after 1987 of the Single European Act, with its provisions for open competition within and across borders. Through mergers, acquisitions and the internationalization of their operations, companies and corporations now operated on a global scale. The production and distribution of goods was often beyond the control of individual countries.

As for money, it was beginning to multiply and migrate in ways that would have been unthinkable a few years before. In 1980 the sum of all international bank lending was $324 billion a year; by 1991 that figure had grown to $7.5 trillion—a 2,000 percent increase in just over a decade. And this was just the beginning. Controls on the movement of capital—eliminated by most European states in the course of the early Eighties—now appeared as antiquated as food rationing. The ‘crash’ of September 1992—when first the UK and then Italy were forced out of the European Monetary System and obliged to devalue by private speculators and institutional investors whose activities they were powerless to prevent—was a highly symbolic moment.

The advantages of this revolution in the international economy were self-evident. Investment capital, no longer restrained by national frontiers, exchange-