The European Union: History, Structure, Future

Senior Scholars Spring 2017
Prof. Kenneth F. Ledford
kenneth.ledford@case.edu
368-4144

The European Union

• Jean-Claude Juncker, March 29

– “If he goes on like that, I’m going to promote the independence of Ohio and the exit of Texas.”

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• UK Prime Minister Theresa May delivered a 6-page letter to European Council President Donald Tusk in accord with Article 50(2) TEU
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• Three stages:
  – Examine closely the letter from May to Tusk and documents that surround it
    • Unpack implications of message
    • Explore steps established for negotiations that are about to begin
  – Trace story of UK exclusion from, accession to, and existence within EEC/EU
  – Look at some of the particular complaints that led to 51.89 percent of Britons voting last June to exit EU
    • Cost
    • Demography
    • Sovereignty

• Formal Notice of Intention to Withdraw
  – Also invokes Article 106a of Treaty Establishing the European Atomic Energy Community to begin withdrawal process

• Formal Notice of Intention to Withdraw – UK Process
  – May’s government will repeal European Communities Act of 1972
  – “Great Repeal Bill”
  – “Wherever practical and appropriate” will “convert the body of existing European Union law into UK law.”
  – Domestication, homologation, of UK law rejects primacy doctrine of Costa and Van Gend en Loosie, and also of European Communities Act of 1972
  – But provides legal certainty for UK citizens and for EU citizens doing business in UK

• Formal Notice of Intention to Withdraw
  – Identifies as UK goal the simultaneous negotiation of “terms of future partnership” alongside terms of withdrawal from EU

• Formal Notice of Intention to Withdraw
  – Engage with one another constructively and respectfully
  • Explicitly abandon goal of membership of the single market or continued influence over rules that affect European economy
  – Always put our citizens first
  • Early agreement about citizens’ rights, for 1.2 million UK nationals in EU, and for 3.2 EU nationals in UK
  – Work toward securing a comprehensive agreement
  • Both economic and security cooperation
  • But also simultaneous negotiations on terms of exit and terms of future relationship
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- Draft Guidelines, March 31
  - Repeats Core Principles set out in Statement of European Council of June 29, 2017
    - Wish to have UK as close partner in future
    - Any agreement must be based on a balance of rights and obligations and ensure a level playing field
    - Preserving the integrity of the Single Market excludes participation based on a sector-by-sector approach
    - A non-member of the Union, that does not live up to the same obligations as a member, cannot have the same rights and enjoy the same benefits as a Member
    - The European Council welcomes the recognition by the British Government that the four freedoms of the Single Market are indivisible and that there can be no “cherry-picking.”

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- Draft Guidelines, March 31
  - Phased Approach to Negotiations
    - First phase will 1) settle disentanglement of UK from Union and from all the rights and obligations the UK derives from commitments undertaken as Member State, and 2) provide as much clarity and legal certainty as possible to citizens, businesses, stakeholders and international partners on the immediate effects of the UK’s withdrawal from the Union.
    - While an agreement on a future relationship between the Union and the UK as such can only be concluded once the UK has become a third country, Article 50 TEU requires to take account of the framework for its future relationship with the Union in the arrangements for withdrawal. To this end, an overall understanding on the framework for the future relationship could be identified during a second phase of negotiations under Article 50. The Union and its Member States stand ready to engage in preliminary and preparatory discussions to this end in the context of negotiations under Article 50 TEU, as soon as sufficient progress has been made in the first phase.

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- Draft Guidelines, March 31
  - Buried in Paragraph 22:
    “After the UK leaves the Union, no agreement between the EU and the UK may apply to the territory of Gibraltar without the agreement between the Kingdom of Spain and the United Kingdom.”
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• British reluctance to join ECSC and EEC
  – Traditional explanations:
    • Enduring self-image as standing alone against Hitler, as Britain did from June 1940 to June 1941
    • Britain's history as island nation, trading nation, imperialist nation, and 19th-century policy of "splendid isolation"
    • Fixation after 1945 with holding onto Empire
    • Intense strategy of creating Commonwealth of Nations as trading bloc; "Imperial Preference"
    • Continued notions after 1945, really until Suez Crisis of 1956, of UK as a "Great Power"
    • Notion of unique role as bridge between Europe and US, and bridge between Europe and Commonwealth
    • "Special relationship" with United States

• Reluctance also had deep roots in economic situation of 1945
  – UK economy one of few in Europe that grew during World War II
  – 1945, UK GDP 90 percent larger than average for the six founding members of EEC
  – Things only got worse on the Continent from 1945-49

Matters changed in Europe after 1950
  – Marshall Plan began to show effect after first funding in 1948
  – Vast stimulus of American rearmament and military spending after outbreak of Korean War in June 1950
  – Britain could not join ECSC in 1952 because its neoliberal rules prohibited nationalization of coal and steel industries, and Labour Party in Britain (in power 1945-51, 1964-70, 1974-79)

• Ratio of UK per capita GDP compared to average of EEC founding members declined steadily from 1945 to 1972

Figure 1. Percentage difference between the UK's GDP per capita and EU founding members' (EU6) and EUS (excludes Luxembourg) between 1955 and 2011

Data source: Penn World Tables 8.0.
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- Ration relatively stable from 1973 to 2010, then slight rise

But this data shows structural realities:
- Membership in integrated Europe was not in UK’s interest in 1945
- By 1972, membership in EEC was clearly in UK’s self interest
- Joining EEC was a structural break that stabilized steep decline in British productivity and British standard of living

European Free Trade Association, EFTA
- After declining chance to join EEC in 1957, Britain’s Conservative government sought a more modest free trade area
- Treaty of Stockholm 1960
- EFTA to be free trade area, less ambitious than customs union, far short of common market
- Consisted of Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and UK
- Still exists, consisting of Iceland, Liechtenstein, Norway, and Switzerland

United Kingdom European Communities membership referendum, 1975

<table>
<thead>
<tr>
<th>Options</th>
<th>Votes</th>
<th>%</th>
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<tbody>
<tr>
<td>Yes</td>
<td>17,378,581</td>
<td>57.23</td>
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<tr>
<td>No</td>
<td>8,470,073</td>
<td>32.70</td>
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<tr>
<td>Valid votes</td>
<td>25,848,654</td>
<td>99.76</td>
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<tr>
<td>Invalid or blank votes</td>
<td>54,540</td>
<td>0.22</td>
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<tr>
<td>Total votes</td>
<td>26,903,194</td>
<td>100.00</td>
</tr>
<tr>
<td>Registered voters and turnout</td>
<td>40,085,577</td>
<td>84.87</td>
</tr>
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</table>
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• Declining British economy led UK to again apply for membership
  – Continued relative decline of British advantage over EEC states, in 1961 reached only 10 percent
  – De Gaulle vetoed British membership in 1963
    • Accused Britain of “deep-seated hostility” toward European integration
    • Called Britain “insular and maritime”
    • Saw Britain as “Trojan Horse” for U.S. interests and U.S. opposition to project of European integration

• When Labour returned to power under Harold Wilson in 1964, UK tried Commonwealth option, but economy continued to decline
  – Applied for EEC membership again in 1967, vetoed by de Gaulle in 1968
  – UK advantage in per capita GDP down to 6 percent

• De Gaulle fell in 1969, and Georges Pompidou more open to UK membership
  – Process accelerated by return to power of Conservatives in 1970, under Edward Heath, strongest pro-Europe Prime Minister ever
  – Treaty of Accession signed January 1972
  – Parliament adopted European Communities Act, effective October 17, 1972
  – UK membership effective January 1, 1973
  – By then, UK per capita GDP was 7 percent smaller than EU6 average

• Late membership led to three problems for UK from beginning
  – EEC had existed for 15 years, completed customs union, elaborated system of judicial decisions that included supremacy and direct effect, also secondary legislation
  – UK had to accept all as condition for admission
  – Acquis communautaire
  – Never had a chance to shape these

• Late membership led to three problems for UK from beginning
  – Common Agricultural Policy had become fully functional and strongly favored Member States with large agricultural sectors
  – British agricultural sector unusually small; UK received proportionally less back through CAP payments
  – Shape of British trade, oriented toward Commonwealth and other states outside of EEC meant that more of its trade was subject to common external tariff than trade of other Member States, so Britain paid more than proportionate share of EEC funding through tariff collections
  – Britain paid more and received less
  – Net contribution significantly higher than its position as weakest of major economies in EEC; smaller GDP per capita than other three
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- Late membership led to three problems for UK from beginning
  - Domestication of EEC law required challenges to British constitutional and legal tradition
  - Doctrine of parliamentary supremacy called into question by EEC supremacy

- Result was that both Conservative and Labour Parties were split into pro-EEC and anti-EEC factions
  - When Labour returned to power in 1974, agitation led government to put issue to referendum in 1975

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- European Communities Membership Referendum, June 5, 1975
  - More than 67 percent voted in favor of membership
  - Only areas majority against were Outer Hebrides, Isle of Skye, Shetland Islands
  - Both parties, including Conservatives led by Margaret Thatcher, campaigned for “Vote Yes”
  - Yes endorsed by all major papers
  - Despite resounding victory, question never really settled

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- After Thatcher came to power in 1979, railed against unfairness of payments; “we want our money back”
  - 1984, negotiated rebate of UK payments to EEC
  - At time, UK was second poorest member of EU
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- Thatcher turned against EU with passage of Single European Act in 1986
  - Disliked Jacques Delors
  - He was, after all, a socialist
  - Made him symbol of power-grabbing European government, the “bureaucrats in Brussels”
  - Disturbed by direction toward some form of European “superstate”

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- UK signed Treaty of Maastricht under John Major in 1992
  - But sought and received two “opt-outs”
  - Single currency
  - Schengen policies on open borders

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- Humiliation of “Black Wednesday” of September 16, 1992
  - Exchange Rate Mechanism, ERM, 1979
  - Britain joined 1990
  - Sterling overvalued in 1992
  - Run on sterling exhausted Bank of England
  - Britain had to withdraw from ERM and devalue pound
  - George Soros made £1 billion

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- Other nagging, grinding frictions
  - Chocolate
    - 1975-2000
  - British beef
  - Financial transaction tax

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- Brexit referendum on June 23, 2016
  - England voted to leave
  - Scotland and Northern Ireland voted to remain
  - London voted to remain
  - Old voted to leave
  - Young voted to remain
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- Reasons for Euroscepticism
  - Cost of EU
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- Reasons for Euroscepticism
  - Migration
Long term international migration to UK

Migration (thousands)

Note: net migration estimates up to 2011 have been revised since the 2011 census and may not exactly match with immigration and emigration numbers

Source: ONS

THE MOVING MILLIONS

EU states with the biggest populations of people born in another EU member state, 2011

- Germany: 3,362,600
- Spain: 2,341,600
- Britain: 2,334,400
- France: 2,127,800
- Italy: 1,721,900
- Belgium: 773,500
- Austria: 528,000
- Sweden: 483,000
- Netherlands: 449,200
- Ireland: 434,300

Source: Eurostat

THE MIGRANT WORKFORCE

Top 10 increases in National Insurance numbers issued last year

<table>
<thead>
<tr>
<th>Country</th>
<th>2012</th>
<th>2013</th>
<th>% change</th>
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<tbody>
<tr>
<td>Italy</td>
<td>26.61</td>
<td>44.11</td>
<td>66%</td>
</tr>
<tr>
<td>Portugal</td>
<td>20.44</td>
<td>30.12</td>
<td>47%</td>
</tr>
<tr>
<td>Poland</td>
<td>80.47</td>
<td>111.45</td>
<td>39%</td>
</tr>
<tr>
<td>Spain</td>
<td>38.08</td>
<td>51.73</td>
<td>36%</td>
</tr>
<tr>
<td>Greece</td>
<td>7.42</td>
<td>9.89</td>
<td>33%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>10.27</td>
<td>12.9</td>
<td>26%</td>
</tr>
<tr>
<td>Hungary</td>
<td>21.76</td>
<td>26.77</td>
<td>23%</td>
</tr>
<tr>
<td>France</td>
<td>19.62</td>
<td>24.2</td>
<td>23%</td>
</tr>
<tr>
<td>Ireland</td>
<td>14.71</td>
<td>17.41</td>
<td>18%</td>
</tr>
<tr>
<td>Romania</td>
<td>16.31</td>
<td>17.87</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figures are in thousands. Source: National Insurance Recording and Pay as you Earn System (NIR/PAYE)
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- Reasons for Euroscepticism
  - Sovereignty