

## The European Union: A Distinctive Model of Internationalisation?

**Brigid Laffan**

European Integration online Papers (EIoP) Vol. 1 (1997) N° 018;  
<http://eiop.or.at/eiop/texte/1997-018a.htm>

Date of publication in the  : 26. 10. 1997

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### Keywords

internationalisation, governance, institutionalisation, regulation, polity building, international role of the EU, political science

### Abstract

This paper argues that the European Union has developed a distinctive form of internationalisation which represents a form of deep regionalism. The EU represents deep regionalism, in contrast to other regionalisms because of its scope, level of institutionalisation and normative underpinnings. Part two of the paper analyses the characteristics of political and economic order emerging in the Union. Four aspects of the Union are analysed: loosely coupled collective governance, market integration, polity building and the international role of the Union.

### Kurzfassung

Dieses Papier argumentiert, daß die Europäische Union eine besondere Form der Internationalisierung entwickelt hat, nämlich eine Art "deep regionalism" ("tiefgreifende regionale Ordnung"). Im Gegensatz zu anderen Regionalismen ist jener der EU "tiefgreifend" aufgrund ihrer Reichweite, ihres Institutionalierungsgrades und ihrer normativen Grundlagen. Der zweite Teil des Artikels analysiert die Eigenschaften der entstehenden politischen und wirtschaftlichen Ordnung in der Union. Vier Aspekte der Union werden untersucht: die lose Form gemeinsamen Regierens, die Marktintegration, den Aufbau einer "Polity" und die internationale Rolle der Union.

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Abstract

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## Introduction

The context of European integration at the end of the twentieth century is a context of internationalisation. Although scholars continue to argue about the depth and reach of globalisation, all agree that the international system is characterised by increasing interconnectness and interdependence which is driven by capital flows, technology, investment patterns, growing linkages between societies and more rapid dissemination of ideas. The acceleration of internationalisation in the 1990s has profound implications for political and economic order at the international, regional and national levels. It affects the reach of political agency and the relationship between public and private power. One important characteristic of contemporary internationalisation is the increasing prominence of regional organisations in North America (North American Free Trade Association), APEC (Asia Pacific Economic Co-operation), and a host of sub regional entities, such as ASEAN (Association of South East Asian Nations), the Closer Economic Relations Treaty (ANCERT) signed by Australia and New Zealand, and Southern Common Market (Mercado Comun del Sur, Mercosur) in Latin America. The European Union (EU), which remains the world's most extensive and intensive form of regionalism, has undergone a profound change since the launch of the 1992 programme in the mid-1980s. The relaunch of formal integration, which began as a response to competitive pressures from the world economy, led in turn to an intensification of

internationalisation, of both politics and economics, in Europe. In the contemporary international system, the EU is the most advanced model of the regulation of economic internationalisation that goes beyond trade. (O'Donnell, 1997, p.17) Furthermore, it is the only regionalism which is characterised by an attempt to democratise political space beyond nation states.

The central argument in this paper is that the process of institution building, law making, policy integration, and market creation in the EU has produced a European model of internationalisation with distinctive characteristics. This model of internationalisation, while rooted in the legacy of the past, represents an important shift in the dynamic of integration in the 1980s. If the early phase of trade liberalisation in Europe could be equated with 'Keynes at home and Smith abroad', (Tsoukalis, 1991) the reach of the current phase of integration is much deeper and wider. It is driven by shifts in the locus of regulation, privatisation and further liberalisation of economic exchange in Europe, on the one hand, and the needs of continental order, on the other. The paper has two objectives. First, it seeks to analyse why the distinct configuration of European integration has produced deep regionalism. Second, in response to questions about how political authority and influence are being reshaped within the multi-levelled governance structures of the EU, the paper seeks to analyse the characteristics of the emerging European system. Before turning to the substantive part of the paper, it is necessary to place the paper in the context of the literature that informs its analysis.

## 1. The Betweenness of the European Union

Scholars of integration have always been confronted and challenged by the 'betweenness' of the European Union. The EU hovers between politics and diplomacy, between states and markets and between government and governance. We are faced with a form of political and economic order that is characterised by considerable ambiguity: is it strong or weak, durable or capable of collapse, a source of order or fragmentation in Europe? Viewed from the perspective of domestic political order the Union appears weak in terms of political authority, capacity, resources and legitimacy, whereas viewed from the perspective of global governance the Union is both vigorous and robust. Viewed from the perspective of representative democratic government, the Union is remote and undemocratic. Yet from the perspective of traditional diplomacy and 'balance of power' systems, the Union is based on law, regularised procedures, and openness. The distinctiveness of the European project was captured by Anderson when he argued that

It was without historical precedent. For its origins were very deliberately designed, but they were neither imitative of anything else nor total in scope; while the goals at which it aimed were not proximate but very distant. This was an entirely novel combination: a construction that was highly voluntarist, yet pragmatically piecemeal – and yet vaultingly long-range. (Anderson, 1996, p.17)

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Duchêne also captured this novel aspect of the Union when he asserted that the 'European Union is that rarest of all historical phenomena, a studied change of regime. It is the reverse of conquest and quite different both from incremental adjustment, which is the political norm, and from revolution, which is the social equivalent of an earthquake' (Duchêne, 1996, p.20) The renewed salience of the EU for European and global order, has led to a burgeoning literature which attempts to capture the dynamic and multifaceted dimensions of this studied regime change.

The 'betweenness' of the Union resonates in the scholarly literature, because of the traditional divide between domestic politics and international politics, between international relations and comparative politics. (Hix 1994, Hurrell and Menon, 1996) Analyses of integration are also divided between approaches that attempt to capture the distinctiveness of the European project, and approaches which

remain rooted in realist conceptions of state power. (Haas 1958, Hoffman 1966, Lindberg and Scheingold, 1971) The classical arguments between Haas and Hoffman have persisted in the literature. Moravcsik, in particular, characterises the Union as an intergovernmental regime, designed to manage interdependence; a regime dominated by bargains between the larger member states. (Moravcsik, 1991, 1993) While acknowledging the value of the Moravcsik analysis in providing a parsimonious theory of the so-called big bargains, the analysis in this paper draws on a different tradition of analysing integration.

This paper is informed by the literature that has attempted to analyse the distinctiveness of the Union and the contingent nature of integration. European scholarship has been to the fore in stressing the specificity of Western Europe and the transformational potential of the European Union, while not disregarding the importance of the national. (W. Wallace, 1990, W. Wallace 1994, Wessels 1997) In Europe, attention is increasingly paid to the emergence of new practices of governance, and not just structures, beyond the state. In these analyses, considerable attention is paid to questions not just of capacity but of legitimacy. (Jachtenfuchs, 1995, Kohler Koch, 1996) The European literature has always been far more attentive than the US literature, to questions of order and not just welfare. (Smith 1996, H. Wallace 1997)

In attempting to capture the ‘betweenness’ of the Union, this paper draws on a number of different strands in the literature:

- the literature on regimes which drew attention to the emergence of weak governance structures, characterised by the interaction of power, institutions and resources, in the international system. (Keohane and Nye, 1977)
- comparative public policy with its emphasis on multileveled policy making and the diffusion of policy competence. (H. Wallace and W. Wallace, 1996, Richardson, 1996, Marks et al 1996, Peterson, 1995, Cram 1997)
- the institutionalist literature with its emphasis on the importance of institutions in shaping the context of political exchange, and in providing a framework of rules, roles and even identities. (March and Olsen 1995, Bulmer, 1994, Pierson, 1996, Sweet and Sandholtz, 1997)
- the literature with a constructivist twist which focuses on the interaction of values, the remoulding of identity and the shaping of discourse about the European project. (Ruggie, 1993, Risse-Kappen 1996)

This paper does not attempt to establish a highly deductive theory, replete with causal mechanisms, of European integration. Rather it seeks to capture the character of the political and economic order that is emerging in Europe as a consequence of the integration project.

## 2. The EU as Deep Regionalism

The European Union represents a form of deep regionalism in contrast to other regionalisms in the world. No other regionalism in the international system is characterised by equivalent ties either in terms of *depth* or *breadth*. No other regionalism has displayed the potential to alter the relative congruence between territory, identity and function which characterised the nation state. European regionalism is deep in terms of scope, institutionalisation and normative underpinnings.

### A. Scope

The original Rome Treaties, followed by the Single Act and the Treaty on European Union aim to achieve an advanced level of economic integration. The original treaties had as their objective the establishment of a free trade area, a single entity in external economic relations, and a common market. While these goals were only partially achieved during the formative period of the EU, the legal ground rules for a common market were put in place to be built on at a later stage. The Single Act reasserted the objective of a barrier free Europe and adapted the Treaties to the changes in economic transactions such as the growing importance of services and the emergence of new sectors. The internal market project built on a distinctive approach to free movement by stressing the importance of 'a level playing field' for all economic agents. (O'Donnell 1997) The Treaty on European Union (TEU) went yet further by making provision for a single currency and a European system of central banks. Nor is the scope of European integration confined to economic integration; its policy instruments and programmes extend into social and environmental regulation, justice and home affairs, foreign policy, and questions relating to citizenship. Questions of polity have been bound up with the dynamic of integration from the outset.

The NAFTA which grew out of the Canada-US Free Trade Agreement (1988) went beyond a classical free trade agreement. In addition to provisions on free trade, it included provisions on services, international investment and binding arbitration concerning trade remedy laws. (Leslie, 1997, p.6) It remains less ambitious and less far-reaching than economic integration in Europe. The Asia Pacific Economic Co-operation forum (APEC) aims to enhance regional economic co-operation through dialogue about trade and investment. Asian co-operation is market driven and consultative in nature. APEC's aspirations towards total regional liberalisation by 2020 are unlikely to be met. Like EFTA, these organisations are designed to enable the participating states to benefit from some liberalisation without sacrificing national sovereignty.

## **B. Institutionalisation**

Perhaps the single most important difference between the EU and other regionalisms is the sophistication and intensity of its institutional fabric underpinned by an organic system of law. (Sweet and Sandholtz, 1997) Institution building in the EU is far more pronounced than in either NAFTA or APEC, neither of which have extensive formal institutions. In fact, in APEC there is a distrust of formal international institutions that might become too independent of the states. There is even a reluctance to call APEC an association or organisation (Katzenstein, 1996, p.140) The establishment of a small secretariat to service APEC was resisted by some states. NAFTA is also weakly institutionalised.

## **C. Normative Underpinnings**

From the outset, proponents of the European project, despite its economic underpinnings, cast their political endeavour in terms of a peace project necessary to tame the dark side of European nationalism. The rhetoric of European integration is a rhetoric of remoulding interstate relations, of going beyond traditional approaches to statecraft, of promoting closer relations between the peoples of Europe and not just their governments. Commitment to European integration goes beyond instrumental benefits, although these exercise a powerful role in the system. Neither in NAFTA nor APEC is there 'a collective (cognitive) objective comparable to the 'European Ideal' to which member states can subscribe to ensure a 'deepening' of co-operation'. (Higgott, 1996, p.376) In post-Cold War Europe, the Union is portrayed as a 'community of values'.

The European Union has contributed to a re-definition of collective identity, to altering the link between sovereignty and territory and to a re-distribution of responsibility for public policy across different levels of government. The potential of the Union to transform the locus of political authority and to remould the nation state, which was central to neofunctionalist writings on integration, was undermined by the resilience of national governments and their ability to act as

gatekeepers. However since the mid-1980s, integration has been characterised by significant changes, notably, constitution building, politicisation, mobilisation, enlargement, and a changing continental order. The European Union has become a more significant economic, political and social space for its member states, Europe's publics, economic actors and the wider international system. The costs of exit are very high and the member states have invested a considerable amount of their state capacity and for some their state identity in European regionalism. The existence of the Union has acted as a magnet for European non-member states.

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Why has integration in Western Europe produced deep regionalism in contrast to other parts of the world.? The form regionalism takes is highly contingent on the political, economic and geo-political context within which it develops. The distinct configuration of Europe after the War led to a search for order and welfare, neither of which could be given primacy. Questions of security, political rehabilitation and political economy were combined in the European project in a distinctive manner.

## D. Order

The contribution of the EU to European order was multifaceted despite that fact that it did not have the attribute of 'hard power'. The development of the EU, nurtured by the security framework provided by NATO and in the shadow of decolonisation, was characterised by a diffusion of power and the creation of subtle balances between states of different sizes.

- Integration was central to Franco-German reconciliation and to the emergence of highly institutionalised relations between these two continental states. French political power combined with German economic power to drive the integration project forward.
- It provided a vehicle for the taming and internationalisation of German power. The embedding of Germany in a multilateral framework allowed the Federal Republic to regain its place in the family of West European states and enabled it to exercise a non-threatening foreign policy.
- It provided small states with a far more benign European system than previous balance of power systems.
- The EU evolved over time into a security community.
- It was capable of enlarging to include many more states in an incremental manner.
- It was intrinsic to modernisation in a number of the original states and in many of the new member states.
- It provided a home for newly democratising states – Greece and the Iberian states.

Questions of European order were to the fore again in post Cold War Europe. The Union was forced to look beyond its narrow boundaries to the requirements of continental order. The existence of the Union facilitated the peaceful unification of Germany with the agreement of all of Germany's neighbours. The internationalisation of German power was significant in the acquiescence of Europe's other large powers to the emergence of a larger and more populous Germany in the heart of Europe. The deepening of European integration became part of Europe's geo-politics as the other side of German unification. Western Europe had to develop policy instruments to aid the transition process in the former Soviet block. The response was highly conditional and incremental. In 1993, faced with many demands for membership, the Union had to concede that any European state that met with the criteria for membership could join the Union. This meant that in addition to the process of transition in the East, the Union itself is faced with internalising the needs of these states, which in turn will alter the Union's institutions, practices and policy *acquis*. The Union has ceased to represent a West European order. Questions of order are continental in scale and reach. (Smith 1996)

## E. Welfare

The Union's contribution to economic prosperity was significant in the early phase of integration. The gradual and phased liberalisation of economic exchange, which developed as the common market progressed, contributed to a far more efficient allocation of resources in Europe than would have been possible if there were no constraints on national intervention. The domestic markets of even the largest European states did not have the scale to deliver economic prosperity. High levels of growth and economic prosperity contributed to domestic stability and the further development of Europe's welfare states. The common market provided the framework for the adaptation of national industries to competitive pressures. Economic integration faltered in the 1970s, as the European economies responded in a very divergent manner to the oil shocks and the end of the golden period of growth.

In the 1980s the Member States were again looking to the Union to provide the framework for a collective response to questions of economic governance and Europe's competitive position. The EMS experiment led to a convergence of views around sound money, low inflation and fiscal orthodoxy. This in turn facilitated agreement on a single currency which would further embed the convergence of policy in Europe. The 1992 programme was the second strand in the role of the Union as a framework of economic adjustment. The massive regulatory programme that accompanied market integration unleashed a process of change in a wide range of industrial sectors, services, and public monopolies. It led to fundamental changes in the business environment for companies of all sizes and altered the potential of Member State regulation. The increased salience of the EU in the 1990s reflected broader trends towards internationalisation and globalisation in the international system. The trigger for the relaunch of formal integration– the Single European Act–was designed to enhance internal competition in the European market and to increase the competitiveness of European industries internationally. The internal market was a necessary but not sufficient condition to ensure European prosperity. The economies of Western Europe continue to face challenges of structural adjustment, inflexible labour markets and high unemployment.

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The compelling search for order and welfare in the Union were linked to questions of polity. The problem of polity has two dimensions. First, the politicisation of the integration process has led to a renewed focus on the impact of integration on national sovereignty and domestic political order. As integration bites more deeply into the core areas of state sovereignty, as it redefines relationships between different state institutions and as 'Europe' itself becomes a salient issue in domestic politics, the politics of the European project are no longer contained within narrow political processes. The stuff of politics in the Union has spilled over into political processes at the national, regional and local levels. Second, the process of constitution building has highlighted the technocratic and elite driven nature of the integration process which in turn has led to demands from the public for access and accountability. Questions of democracy, legitimacy, citizenship, and accountability are central to the debate on the European project, in a way that was never evident in the past.

## 3. Characteristics of the Emerging European System

Just what kind of economic and political order is emerging from the process of integration? The EU system is unsettled along five major dimensions– constitutional order, geographical boundaries, institutional balance, decision rules and functional scope. The unsettled nature of the system should not deter us from attempting to draw the various strands of the integration project together so as to characterise of the emerging system. We need to abandon the notion that the EU is something and to

consider it as always *becoming*. Moreover, we need to abandon the notion that the Union is evolving towards traditional state or nationhood. The Union is crafted onto existing forms of political order but in turn contributes to the transformation of such forms. Four features of the system are analysed, namely, its characteristics as an arena of public policy making, the EU as an economic space, as a part-form polity and as a significant presence in the international system.

## A. Loosely Coupled Collective Governance

From the outset, the Union opted to pursue a *domestic* rather than an *international* route. The intention was to create a more vigorous governance capacity than found in traditional international organisations. This may be seen in:

- the constitutional character of the founding treaties;
- the organic development of a novel legal order;
- the importance of institution building and innovation to the process;
- the ability to expand the policy remit of the Union, in an ad hoc incremental manner, to all areas of public policy at national level and the development of an EU budget, however small
- the partial autonomy of EU level institutions and processes and their ability to affect agenda setting, the range of policy choices and to establish constraints on the Member States.

EU public policy making is non-hierarchical, heavily bargained, and fragmented in different institutional settings. It is animated by a politics of pragmatism, the expert, and the committee. The system rests on the member states but works on the basis of embedding the national in the European. The growing intensity of the Union's policy process and the mobilisation of national and regional actors in the Brussels space takes national actors out of their member state containers, provides them with new strategic opportunities but also a more complex and diffuse political environment. The nested games within each state/society nexus are augmented by transnational connected games. (Marks et al 1996)

All of the member states are exposed to processes of Europeanisation. The implications of integration are taken inside each national system not just as an issue in domestic politics but as a source of regime change and institutional adaptation. The Union is not just a new level of governance but has fostered innovative approaches to governance. (Kohler Koch, 1996) Europeanisation exposes the member states to the impact of supranational influences on their national systems of policy making and on the content of public policy. Supranational influences are deep in some aspects of public policy making (market) and very thin in other fields, such as health policy or cultural policy. The balance between national or shared European competence is highly conflictual and contested in the Union. The openness to Europeanisation and adaptation to growing internationalisation varies from member state to member state and within states among different social groups and institutions. (Rometch and Wessels, 1996) In some states and among some social forces, a nostalgia for the grand era of the West European state is still evident.

Collective institutions bind the system of European governance and have given its much of its durability and flexibility. New problems have led to the creation of new procedures and institutional mechanisms. From the outset, the Union's institutional system displayed considerable dynamism—additional voting procedures, comitology, direct elections, the establishment of the European Council, new legislative procedures, additional channels of representation and new institutions. Informal institutional procedures have been equally important—stopping the clock, conversations in corners, multiple bilaterals, tours of capitals, letters from the heads of government, informal council meetings and so on. The institutional density of the system has had powerful socialisation effects on national actors. Senior office holders, officials and even their families are drawn into a web of business and social meetings. The interests and even the identities of national actors, who are involved in the iterative process of European negotiations, are shaped by European institutions and

by the unending process of collective governance. The pursuit of the national interest and the collective interest becomes blurred. Actors interests, preferences and even identities are reshaped in subtle ways.

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Why has European regionalism produced a complex and innovative institutional system? First, the EU was not founded on the basis of a hegemon who could control its decision making process. The Union represented a balance between France and Germany and between larger and smaller states. No one state had a predominance of power in the system which meant that no one state could impose its preferences. In fact, the Union's most powerful economy deliberately eschewed traditional notions of 'hard power' and was willing to embed itself in an internationalised multileveled process. Asymmetries in NAFTA are much more significant. Second, the West European states are Weberian states which place a high premium on public law, codification and formal institutions. (Katzenstein, 1996,p.145) Third, at the onset of economic integration, West European states were highly regulated economic and social spaces. Market creation had to be built on the foundations of national regulation. Fourth, because integration was an experimental and pragmatic process, institutions were needed to socialise national actors to collective problem solving, to channel ideas and to facilitate agreement on common programmes.

The density and complexity of institutional linkages in the Union may be gleaned from the growth of different formations and meetings at the level of the Council of Ministers, from the number of working parties under the auspices of the Council, from the innumerable advisory groups attached to the Commission, the number of comitology committees, and the number of agencies in the Union. See Table 1. In addition, the mobilisation of interest groups, regions, cities, and national parliaments point to the growing salience of the Brussels political space.

Table 1

The Union's system of collective governance has produced a 'prismatic political system' in which rays of activity and authority are scattered or focused more or less effectively through institutions and social forces. Rather than amassing extensive and autonomous political authority, the Union gradually alters the exercise of national political authority by enmeshing the Member States in a web of collaboration and co-operation. The enmeshing of the national and the European has neither been smooth nor linear. Rather it has been partial, patchy and contested. However, since the mid 1980s, integration has redefined the arena within which political authority is exercised. (Muller and Wright, 1994, p.6) The expansion in the range of public policy issues treated in the Brussels arena has been one of the key factors leading to the growing salience of the Union. Enhanced policy responsibility has led to an expansion of policy networks and policy communities around the core Union institutions. The intensification of formal co-operation can be seen in the growth of bureaucratic foliage surrounding all EU institutions.

## **B. It begins with the market but does not end there**

The Union's 'prismatic political system' may represent nothing more than a market polity—it may disguise a weakness of political agency when confronted with the pressure of market creation. The European model of integration has altered the capacity of national governments for domestic economic intervention because it has reduced their capacity to control boundaries. According to Scharpf, 'when boundary control declines, the capacity of the state and the unions to shape the conditions under which capitalist economies must operate is also diminished'. (Scharpf, 1996, p.17) This is underlined by Caporaso when he argued that 'the regionalization of the European economy,

guided by the EU, is not a politically innocent process. Manageable national markets, capital controls, national control over monetary policy, inflation, interest rates and centralised wage bargaining ..were important underpinnings of labour strength. Relations between state (both domestic and international) and the economy have changed to the advantage of capital'. (Caporaso, 1996, p.44) There has been a decisive rebalancing the public/ private line in favour of the private in Europe. In this sense, the Union has been a site of globalisation forcing adjustment on national economic actors, reducing the capacity of governments to give preference to domestic producers.

The EU represents a highly integrated economic space governed by a collective political-economic authority. The nature of economic integration that has evolved in the Union has led to a distinctive form of economic policy. Again the experimentation so evident in institution building in the Union, is also evident in the development of the Union's panoply of economic instruments. The precise mixture of positive and negative integration is highly contingent on prevailing political circumstances and on different preferences about the degree and nature of EU level regulation. There are very different strategies of regulation ranging from a high level of harmonisation to mutual recognition. The medley of Union economic competence is notable by the fact that it has an extremely weak capacity for macro-economic management and a limited role in distributional settlements. Most of what the Union does is to enhance the competitiveness of the national economies and to force structural adjustment in response to wider forces in the international political economy. (O'Donnell, 1997) It operates largely at the micro-level. See Table 2.

Table 2

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The single market is by far the most important strand in the Union's panoply of economic instruments. It has made regulation the predominant form of public power in the Union.-EU regulation has been characterised by competition among regimes; it is driven by different regulatory cultures which has resulted in a regulatory patchwork.(Héritier, 1996, pp.149-67). According to Wilks, 'Regulations constitute and define the market, nowhere more than in the EC. The European project is one of market creation in which economic actors are jockeying for favourable treatment, governments are struggling to construct advantageous frameworks, and European institutions are seeking enough authority to impose rules'. (Wilks 1996, p.539) Given the failure of the harmonisation drive in the 1960s and 1970s, the Union built on ECJ judgements to adopt new regulatory strategies, notably mutual recognition and home country control. The internal market process was and continues to be evolutionary. The abolition of barriers is most advanced in relation to products, less so in the area of services and public monopolies. The project has not been limited to the original legislative programme in the White Paper; additional areas have been brought within its remit, such as energy despite the stiff resistance of some member states. The institutional capacity of European standards bodies has been strengthened and new European level agencies established. The internal market project is by definition an unfinished project. The Commission is at present focusing on the implementation and enforcement of EU regulations and on the flanking measures needed so that the benefits of the market can be reaped. The secular rise of European regulation since the mid 1980s has raised questions of effectiveness, the costs of compliance and the legitimacy of the regulatory regimes. (McGowan and Wallace 1996) These pressures feed back into debates about the Union as a polity.

Notwithstanding the dominance of market creation in the Union, the dynamic of integration have led to demands for regulation beyond the narrow confines of the economic sphere to include important areas of social and environmental regulation. Arguments about efficiency were never enough to persuade governments and other social forces about the desirability of the internal market. The

debate on social dumping and concerns about a 'race to the bottom' fuelled by regulatory competition are part and parcel of the politics of regulation in the EU. Governments and public opinion in high standards countries were unwilling to countenance a reduction in standards or in the protection afforded to consumers. Although the EU is not built on an agreed 'European model of society', it is predicated on a belief that economic integration must go beyond the market.

There have always been political forces, essentially social democratic and continental Christian democracy that advocated re-regulation and cohesion on a Union wide basis. The extension of the Union into significant areas of social regulation, environmental protection and direct transfers is part of a project to 'organise Europe's space', to promote polity building programmes on the back of market -building successes. (Ross, 1995, p.109) The Union has had to take the distributional consequences of its policies into account from the beginning. Different sectors and regions have been aided in the process of adjustment to market forces. The Coal and Steel Community contained important adjustment mechanisms. The common agricultural policy was a welfare policy from the outset. The European Social Fund (ESF) was designed to aid workers adjust to the pressures of liberalisation and free movement. With successive enlargements, the Union has had to take economic divergence more seriously. The Single Act represented a major re-orientation and re-definition of European cohesion policy. The SEA embedded the values of solidarity and cohesion in the *acquis* in ways that will be difficult to dis-lodge. The prospect of a continental wide enlargement of the Union is likely to lead to a further re-orientation of European cohesion policy.

In the absence of macro-economic capacity, the Commission and the member states are engaging in what might be termed *thin* policy integration, notably in relation to competitiveness and labour markets. (O'Donnell, 1997) Faced with continuing high unemployment in Europe, the Union launched the Essen process in 1993. The purpose of the process is to allow for dialogue and benchmarking about unemployment and strategies for tackling Europe's high level of unemployment. The process involves research, reports, political discussion at the highest level in the Union (European Council), engagement with the social partners and policy prescription. The process could be regarded as merely symbolic with little capacity to tackle the problem. On the other hand, it might be an innovative way of dealing with a problem which in the end will depend on the quality of local and regional interventions. The Delors White Paper on *Competitiveness, Growth and Employment* launched a similar process of diagnosis, benchmarking and analysis. Is the Union destined to have thin instruments for dealing with economic management other than market creation?

The launch of a single currency may in time lead to political pressures for an enhanced economic management capacity at the Union level. The Treaty was far more explicit about the objectives and instruments of monetary policy than it was about economic policy. Discussion of economic policy has concentrated on the national budgetary regimes (stability pact) that are required for a stable currency and 'good money'. Participants in the single currency must be capable of living within a low inflation/sound public finances regime on a sustained basis. The problem with the stability pact is not in securing the agreement of Finance Ministers who are more than willing to have additional weapons in their fiscal orthodoxy arsenals, but whether they can sign up their societies to remain within very tight public expenditure constraints. The long term impact of a stability pact regime on domestic structures and practices has received little analytical attention although it is likely to have considerable, if varied effects, on national systems of wage bargaining and on national distributional settlements. Although large parts of economic policy will remain in the hands of national authorities even after EMU, they will be exposed to strong *supranational influences*. These influences will constrain domestic choice in relation to national budgets and public expenditure. In addition, the European model of a single currency does not provide policy instruments that would assist

participants in a single currency deal with asymmetric shocks. This is potentially a serious problem in the European model of economic and monetary union because states loose the exchange rate mechanism, are restricted in the use of fiscal instruments and labour is unlikely to migrate in sufficient numbers to aid adjustment. It might not be possible to sustain the view that it is up to a member state or region deal with such shocks without the aid of EU level policy instruments when the single currency begins. It may well be that EMU requires or may lead to a different degree or kind of political integration.

### **C. Polity Building**

The intensification of constitution-building in the Union since the mid 1980s have brought polity issues to the fore. Whereas in the past, the EU could rest on the instrumental benefits it afforded the member states and their peoples, this appears insufficient as the Union begins to go beyond regulation and market creation into sensitive areas of state authority. Growing internationalisation raises critical issues about the gap between the locus of functional efficiency on the one hand, and accountability and legitimacy, on the other. The Union represents the only transnational political arena in the world where there is at best a flickering glimmer of a transnational political order. One could argue that ‘the incipient institutions of a “democratic” transnational community are faintly visible ‘. (Dahl, 1994, p.32)

EU institutions and the Member State Governments are beginning to confront the need to enhance accountability and tackle the ‘legitimacy deficit’. In the past, political integration was constructed on the basis of calculated self interest and utilitarian benefits to states and economic actors. However, there is now a faltering attempt to democratise the Union. The increasing role of the EP, the development of the concept of ‘citizenship’, the mobilisation of interests at EU level, the explicit references to an area of Justice, Peace and Freedom in the Amsterdam Treaty, all suggest that political Europe is struggling to join economic Europe. The need to strengthen the publics’ identification with the European project has been a recurring theme in official thinking about integration since the end of the 1960s and was always part of federalist thinking on integration. There have been many reports –the Tindemans Report 1975, the Addonio Report 1985–which advocated top-down policies to give Europe a ‘human face’. This stemmed from a belief that political integration was intrinsic to the European project and that an authentic political community required the development of a ‘sense of community and of ‘we feeling’. Moreover, it was motivated by the belief that economic integration needed a measure of political integration.

Top down policies which are designed to enhance the affective dimension of integration rest on three strands of policy:

- the development of rights and citizenship
- the politics of belonging and symbols
- the development and support of cross-national networks. (Laffan 1996)

The first two of these strands have evolved from very different European traditions. The first strand rests on the European tradition of rights and civic statehood whereas the second, draws on traditional state and nation building. The first seeks to establish a European identity on the basis of shared rights, the second focuses on common symbols and badges of identity.

### **D. Rights and Citizenship**

The development of individual rights has been a slow process which began with the creation of the common market and the free movement of workers. Gradually the free movement provisions were expanded and consolidated by the Court of Justice in a series of ruling that went beyond a narrow interpretation of the Treaties. A number of landmark judgements expanded the notion of 'workers' and established the framework for the emergence of fundamental rights in the Treaty and the Union's legal system. Member state governments acquiesced to these changes although they strongly contested them before the ECJ. The TEU contained for the first time provision for 'Citizenship of the Union', a form of additional or parallel citizenship which is based on citizenship of a member state but which provides additional rights. None of the rights are absolute because, for example, the right to free movement and residence apply only if people will not take welfare or other claims in the host state. Although the right to vote in local and European elections, these have been diluted in a number of member states and localities with large foreign populations an participation in national elections is still precluded. Nor do the provision apply to non-EU migrants who constitute the vast majority of alien residents in the member states. That said, the development of rights and the concept of European citizenship has displayed considerable dynamism since its inception and makes a tangible difference to Europeans as they move jurisdiction. This dynamism is captured by Meehan when she argued that :

a new kind of citizenship is emerging that is neither national nor cosmopolitan but which is multiple in enabling the various identifies that we all possess to be expressed and out rights and duties exercised through a complex configuration of common institutions.(Meehan 1993, p.185)

Citizenship represents the civic dimension of polity building in the Union.

## **E. Symbols**

Just as state-builders in the past set out to create an 'imagined community', a 'European identity' is being deliberately constructed by political actors in their attempt to invent or reinvent Europe. It matters to the future of European integration and to the nature of the incipient polity how this exercise is undertaken, whose views and values prevail and whether European identity is constructed in an open inclusive manner or a restrictive manner. Since the 1980s political actors and Union institutions have also sought to lever traditional nation-building strategies in the form of a European flag, passport, driving licence, a European anthem and European sporting events to deliberately create a sense of identification with the European project. The purpose of these symbols is to gradually alter peoples' consciousness of the political domain to which they belong. The blueflag with its golden stars is now flown from public buildings, industrial enterprises and even at beaches that conform to EU standards. Driving in Europe one is constantly assailed by communal notices ensconced in the gold stars. It is common in many, but not, all member state for heads of government to surround themselves with the national and European flag. EU documents refer with considerable frequency to 'Europe's cultural heritage', of 'spreading Europe's messages across borders'. and a 'European identity'. Documents refer to the latter as if it were self-evident and unproblematic, the product of a shared history and common values. Problems of inclusion and exclusion are simply not alluded to but it matters to the Balts, the Russians and the Ukrainians where they find themselves in relation to 'Europe' and 'non Europe'. Apart from the boundary problem, the construction of a 'European identity' is faced with the continuing salience of national identities. It is not clear just how the top-down strategies will find a resonance among Europe's publics.

The relationship between top-down polity building and bottom-up attitudinal changes is difficult to unravel. National identities are 'vivid, accessible, well established, long popularised and still widely believed in broad outline at least' In each of these respects, 'Europe' is deficient as idea and process'. (Smith 1992, p.62) Europe cannot therefore replace national identity, it can complement and shelter multiple identities by assuming diversity and by respecting Europe's medley of identities. A

'European identity' is one of a multiplicity of identities held by individuals. However those who continue to define identity in exclusive closed terms are unlikely to see themselves as part of a wider polity; they will resist the erosion of their national identities whereas others will be open to identification with a political and cultural space that transcends national borders. This tension is being played out within national societies.

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## F. Transnationalism

An important strand in making Europe's political space more vibrant and relevant is the creation of cross-national networks and encouraging cross-border mobility. The Union budget is increasingly used to promote links and networks between groups or areas within the member states with student mobility, R&D networks, cross-border co-operation, and networks of diffuse social groups. Increasingly voluntary groups in the member states see the need to organise at the EU level and not just within the member states. This is the result of push factors from the national level, notably public finance cut backs and copy catting. There are, also, pull factors from the EU level. The Commission deliberately funds some of these networks, notably the European network of Women, the European Women's lobby, the European network of the Unemployed and the Anti Poverty Network. In addition there are hundreds of non-funded networks operating in Brussels. Influencing the Commission and the Parliament is the primary but not only objective of these groups. Involvement in Brussels leads to EU funding, alternative lobbying strategies, new policy ideas which are taken back inside the national systems. The Commission sees this activity as critical to its legitimacy and the legitimacy of the Union as a whole.

European regionalism is the only regionalism in the international system where there is an attempt to democratise politics above the level of the state, to mark a decisive shift from diplomacy to politics. The process of democratisation is following the well worn Union path of incremental change and pragmatic adaptation—democracy in bits and pieces. European citizenship, the enhanced role of the European Parliament, referenda, growing transnationalism, the Union as a community of values and the debate on transparency all suggest that political Europe is striving to join economic Europe.

## G. The International Role of the Union

The establishment of the Community of Six in the 1950s had immediate consequences for other European states, regional organisations and the wider international system. The United States plays a central role in the evolution of the Union's foreign policy as hegemon, brake but also *demandeur*. The Union's development as a trading block endowed it with a considerable presence in the international political economy and led it to develop a impressive array of external policy instruments, particularly in trade and aid. The Union built up a panoply of association agreements and trade arrangements with its immediate neighbours and former colonies. It gradually became the dominant force in the West European political economy, absorbing most of the EFTA states as members. From 1970s onwards, the Union began the more difficult task of co-operating on foreign policy in European Political Co-operation. The development of EPC displayed all of the characteristics of the evolution of the EU— an incremental process of institution building, establishing standard operating procedures, speaking with one voice in international fora and developing a collective view on some of the major issues of international politics. The process was codified in the Single Act and became more ambitious in the Treaty on European Union as common foreign and security policy.

The way in which the Union's internal order has evolved has had major implications for the Union as

an international actor. The Union's prismatic governance manifests itself starkly in its external capacity and reach. Competence is fragmented between external relations in pillar one and the CFSP in pillar two. Its capacity in international politics rests largely on 'soft power', aid, trade and its internal policy regimes. It lacks the attributes of 'hard power', defence. Moreover, in the exercise of 'soft power', the Union is constantly running up against the limits of internal agreement. Important external agreements are frequently undermined by the political pressure of EU producers. EU external policy emerges from multiple and complex decision making procedures. There are constant wrangles about external representation and who is competent to speak on behalf of the Union. There is an unsettled and uneven distribution of responsibility for external policy in the Commission and the Council. Outside actors are confronted with hydra-headed representation and multiple channels. National foreign policies continue to have considerable salience given the varying interests and historical trajectories of the Member States.

Yet despite these caveats, the Union has a presence in the international system and is of immense importance in its continental environment. (Allen and Smith, 1991/92, Hill 1993, Smith 1996, Hill 1997) It contributes to global governance as it aggregates the views of the Member States and reduces the transaction costs of international negotiations. The Union is most effective when it can use 'soft power' – market access, the Union budget, its attraction as a community of values, and its ability to impose conditions for membership. It is weakest when external events demand that it react quickly, when faced with military conflict, when the US has a major interest in a particular region or issue and when there is a divergence of interests and views among the Member States. The US, once the champion of European integration, is deeply ambivalent about the emergence of a European external identity, especially in security and perhaps in the financial markets as well.

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## Conclusions

This paper argues that European integration evolved within a distinctive configuration which in turn has produced a distinctive model of internationalisation. The EU implied a model of internationalisation from the outset which combined a search for order (West European and internal political order), welfare through managed liberalisation, and modernisation. At the end of the 1990s the European model of internationalisation is characterised by a continuing stress on the Union as a market space, in addition to a new emphasis on the Union as a polity and a 'community of values'. The EU developed in an incremental, pragmatic and experimental manner by building a dense institutional fabric, an organic system of law and an advanced level of economic integration. Although the EU has not transcended the nation state, it has transformed the exercise of political authority in Western Europe by embedding the national in the European and the European in the national. Europe's deep regionalism represents a break with Europe's past – the Europe of imperialism, war and balance of power. The present system rests on a delicate balance among the large states and between the large and small. It represents a diffusion of state power, a taming of power and a domestication of conflict.

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## Endnotes

(\* ) This paper has benefited from discussion at a Human Capital and Mobility Workshop on 'The Policy Process of the Union', at University College Dublin, May 1997 and at a workshop on 'Europeanisation in International Perspective', at the University of Pittsburgh, September 1997. My thanks to Jeremy Richardson, Sonia Mazey, Morton Kelstrup, and Adrienne Heritier for their comments in Dublin. My thanks to Peter Katzenstein, Alberta Sbragia, Peter Leslie, Michelle Egan and Kalypso Kicoulaidis for their comments in Pittsburgh.

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# **Table I**

## **The Growing Density of the Union as a System of Governance**

	<b>1960</b>	<b>1975</b>	<b>1990</b>	<b>1994</b>
<b>Council Decisions</b>	10	575	618	468
<b>Commission Decisions</b>	6	838	1367	2461
<b>Council Compositions</b>	(*) 7	12	22	21
<b>Council Working Groups</b>	10	91	224	263
<b>Council Sessions</b>	44	67	138	98
<b>Coreper + Working Groups sessions</b>	602	2215	2128	2789
<b>Comitology number</b>		93	297	409
<b>A Grade Civil Servants in the Commission</b>	521	2087	3642	4682

Source: Forward Studies Unit, Tables for Integration Indicators, August 1996.

(\*) figure from 1967

# **Table II**

## **The Union's Policies for Economic Management**

<b>Framework of Economic Management</b>	<b>The Union's Policies for Economic Management</b>
Macroeconomic Policy	Multilateral Surveillance in EMS
Distributional Settlements	CAP Structural Funds
Competitiveness and Structural Adjustment	Internal Market Competition and Merger Policy TENs/Transport/Energy Policy Research and Development Environment Labour Market Policies

Source: O Donnell (1995) p.2

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