

AN ANALYSIS ON THE IMPORTANCE OF THE 'LUXEMBURG CRISIS' IN THE CONTEXT OF THE DEVELOPMENT OF WEST EUROPEAN INTEGRATION

Batı Avrupa Entegrasyonunun Gelişimi Kapsamında Luxemburg Krizi'nin Önemi Üzerine Bir Analiz

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Abstract

The 1965 Luxemburg Crisis significantly affected the pace of European integration process. The first decade of the integration passed enthusiastically for further integration between the member states and showed great success both economically and politically. According to Neofunctionalists, full integration would happen thanks to spillover effects. However, the nearly two decades of integration until the mid-1980s passed lost for West European states because of the Luxemburg Crisis. Intergovernmentalists objected to the neofunctionalist arguments. They claimed that the effect of national governments had to be taken into account in external politics.. The Luxemburg Compromise ended the crisis. However, the vestiges of the Luxemburg Compromise, such as unanimity voting system in the Council of the European Union, have still affected significantly the European integration process. This study aims to evaluate the significance of 'the Luxemburg Crisis' on the process of the development of West European integration. In this study, we will try to prove why the pace of integration process slowed down between the years of 1960 and 1985. Also, we will explain how the national states could play an important role in international politics when their national interests are at stake.

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Özet

1965 Luxemburg Krizi Avrupa entegrasyon sürecinin hızını önemli bir şekilde etkilemiştir. Entegrasyonun ilk on yılı üye devletleri arasında daha fazla bütünleşmeyi ilerletmek için çoşkulu bir şekilde geçti ve hem ekonomik hem de politik açıdan büyük bir başarı gösterdi. Neo-fonksiyonalistler'e göre tam bütünleşme yayılma etkisi sayesinde gerçekleşebilirdi. Fakat Luxemburg Krizi 1980'lerin ortasına kadar yaklaşık 20 yıl boyunca Batı Avrupa devletlerinin bütünleşmesini olumsuz bir şekilde etkiledi. Hükümetlerarası teorisyenler neo-fonksiyonalist argümanlara karşı çıktılar. Onlara göre, dış politikada ulusal hükümetlerin etkisi göz önüne alınmak zorundaydı. Kriz, Luxemburg Uzlaşmasıyla sona erdi. Fakat, Luxemburg Uzlaşmasının kalıntılarının etkileri, Avrupa Birliği Konseyi'nde oybirliği sistemi gibi, Avrupa'nın entegrasyon süreci üzerinde hala önemli bir etkiye sahiptir. Bu çalışma, Batı Avrupa Entegrasyonunun gelişim süreci üzerine Luxemburg Krizinin önemi değerlendirmeyi amaçlamaktadır. Bu çalışmada, 1960 ve 1985 yılları arasında entegrasyon sürecinin hızının niçin yavaşladığını kanıtlamaya çalışacağız. Ayrıca, ulusal devletlerin ulusal çıkarları tehdit altında olduğunda, uluslararası politikada nasıl önemli bir rol oynadığını açıklayacağız.

Anahtar Kelimeler: Avrupa Entegrasyonu, Luxemburg Krizi, Neo-fonksiyonalizm, Hükümetlerarasıcılık, Oybirliği Sistemi

1. Introduction

During the first half of the 20th century, the continent of Europe witnessed two great wars: The First World War and The Second World War. These two wars destroyed Europe and caused millions of people to die. The European statesmen, such as Jean Monnet and Robert Schuman, believed that the integration of European states would promote peace and improve quality of life by working together in Europe. For these reasons, the six countries which were West Germany, France, Italy and Benelux initially established the European Coal and Steel Community (ECSC) by the Treaty of Paris in 1951 and, in its aftermath, the European Economic Community (EEC) and Euratom by the Treaty of Rome

in 1957, which were supranational institutions (Nugent, 2010: 22-23). The first decade of the integration passed enthusiastically for further integration between the member states and showed great success both economically and politically. However, the nearly two decades of integration until the mid-1980s passed lost for West European states because of some crises during the 1960s, such as vetoing Britain's application in 1963 and the Luxemburg Crisis in 1965. These crises led the movement of the European integration to slow down. However, in terms of the integration history, the most striking crisis was the Luxemburg Crisis. During the 1960s, the French President De Gaulle, who was an avowed intergovernmentalist, played an important role in causing these crises (Dinan, 2004: 84).

This study aims to evaluate the significance of 'the Luxemburg Crisis' on the process of the development of West European integration. After investigating some events which are indications of 'the Luxemburg Crisis', we will clarify the causes and effect of the Luxemburg Crisis. Finally, we will consider the different theories in the light of this information, such as neofunctionalism and intergovernmentalism which explain the process of West European integration.

2. Origins of Luxemburg Crisis

When the Treaty of Rome was signed between the six countries, two main factors had a strong influence on the states to participate in the new organization. One of them was to create higher levels of economic growth and the other was to prevent the states from the mercantilist policies which was the dominant feature before the war (Blair, 2005: 27). The goals of the new organization was to create a customs union and common market, which was defined as the free movement of goods, persons, services and capital, and to develop common policies, especially in agricultural area (Urwin, 2010: 23). According to this treaty, the member states would remove all tariffs and quantitative restrictions on internal trade. As well as these internal policies, they would agree a common external customs tariff against the non-member states (Blair, 2005: 28). These objectives would be achieved through a three-stage process in order to complete a custom union (Urwin, 2010: 25). The first stage was implemented by reducing intra-Community tariffs by 10%

and increasing quotas 20% in January 1959 (Dinan, 2004: 89). As a result of this, internal EEC trade increased by five times and the economic growth of the member states was impressive (Blair, 2005: 28).

However, the process of West European integration was affected negatively owing to the fact that De Gaulle wanted to protect the national interests of France. When De Gaulle became President of France in 1958, he believed that the EEC would help French industry to modernize and compete with the world market. But, taking into account German competition, he realized that French industry did not have an advantage in not only coal sources but also innate vigour. In addition to this, France produced more food than the country could consume with the help of generous national subsidies by the 1950s. The French government did not dare to reduce subsidies because there was a strong farm lobby. More than 20% of the French labor force was employed in the agricultural sector of the economy in those times. Although France wanted to get rid of these surpluses by exporting, French prices were not competitive compared to lower international prices (Dinan, 2004: 94; Blair, 2005: 29). So, De Gaulle insisted that the member states, especially Germany, imported a lot of food from France (Vanke, 2006: 150). Moreover, in order to both guarantee high-priced agricultural products and subsidize excess production, France tried to include agriculture in the common market.

However, as Germany brought out approximately thirty percent of its own food requirements in 1960, it preferred to buy the food from the different countries where the lowest prices were available, particularly American and British Commonwealth producers. In 1961, Konrad Adenauer, the first Chancellor of the Federal Republic of Germany, offered De Gaulle to accept uncertain principles for an agricultural common market. But, De Gaulle completely refused. De Gaulle stated that if France did not get permanent agricultural guarantees from its EEC partners, especially Germany, the transition could not take place. The common market was under risk because of the agricultural problems. After the negotiations on agriculture, the member states made decisions with regard to generating the common agricultural policy (CAP) and establishing the European Agricultural Guidance and Guarantee Fund (EAGGF) for financial solidarity in January 1962. The problem was solved and the French obtained significant concessions in 1962. Accor-

ding to the deal, the member states would give priority to community agricultural products and subsidize over-production. These promises satisfied French interests despite the fact that some aspects of the agricultural agreement were postponed until 1965. As a consequences of this, this deal enabled the ECC officially to continue as planned to complete the custom union. (Vanke: 151). Nonetheless, this conflict of interest foreshadowed the Luxemburg Crisis.

When the EEC, which had supranational institutions such as the Commission, was established in 1957, Walter Hallstein became the first president of the Commission from 1958 to 1967 (Bache, 2006: 129). Unlike De Gaulle, Hallstein aimed to make the EEC a more supranational institution. In other words, while Hallstein wanted to more power to be given to the Parliament and the Commission, De Gaulle was opposed to this because of the fact that he wanted to preserve French sovereignty (Dinan, 2010: 37). As a result of this, the conflict with regard to the sharing of power between the Community and France was inevitable.

In 1965, there were questions with respect to how the CAP was financed and how those finances was controlled. According to the Treaty of Rome, after the EC's transitional phase was completed, duties on agricultural and industrial imports would belong to the Community rather than to national government in 1970. As a consequence of this, the Community would have 'own resources'. However, Hallstein did not want to wait until 1970. He wanted to bring the term forward to 5 years earlier (Dinan, 2010: 37). Therefore, the Commission made the proposal that the Community should have its 'own resources', instead of the existing method of financing. That is, the commission would generate revenue by collecting tariff receipts on agricultural imports and industrial imports and use them to fund the agreed-upon EAG-GF subsidies (Martin, 2006: 139). With the help of this, the budgetary authority would be transfered from the national parliaments to the European Parliament thereby the Commission itself and the EP would considerably develop their powers.

De Gaulle found the proposal completely unacceptable as it led to increasing the power of the Community. He claimed that his partners had dishonoured their promise in January to reach a new agreement by July 1965 (Vanke, 2006: 158). Moreover, he was worried about the

institutional arrangements of the EEC. His strong desire was to restrict supranationalism and to advance intergovernmentalism. As the Treaty of Rome made certain that qualified-majority voting, which is an instrument of supranationalism, was greatly used as of January 1966, he wanted to prevent it by making a crisis (Vanke: 158).

De Gaulle's action triggered the Community's severest crisis. In June 1965, the vital Council Meeting opened with the French minister, who was Maurice Couve de Murville. When discussions became deadlocked, De Gaulle withdrew the French foreign minister and permanent representative from Brussels. Furthermore, the French government declared that French officials would no longer take part in the Council of Ministers meetings. With the aim of protecting national interests of France, the French leader caused the Luxemburg Crisis, which was known as the 'empty chair crisis' in June 1965 (Dinan, 2010: 37).

3. Luxemburg Compromise and its Influence on the Development of West European Integration

Although discussions seemed to be regarding how the CAP was financed, the method of Council decisionmaking was actually the underlying reason of the crisis. The French leader was concerned about qualified majority voting. He urged the member states to change the method of decisionmaking. He would have preferred for a decision be made unanimously rather than by qualified majority voting within the Community because he wanted to keep the national veto right in quarantine. A press conference in September 1965 proved this argument. In the press conference, De Gaulle announced that France would not accept the provision of the treaty, which allowed the use of qualified majority voting for a range of new policy areas in the Council in 1966. There were two reasons to not accept qualified majority voting in terms of De Gaulle. One of them was that voting system threatened the French sovereignty. The other reason was that qualified majority voting could be used against French agricultural and trade interest (Dinan, 2004: 106). In addition to this, Vanke (2006) claims that there would be a crisis within the EEC whether or not a new financial regulation for the CAP was agreed upon between the member states. According to Vanke (2009: 158), "De Gaulle agreed to resume full French representation in the EEC

when he and the others reached an accord on voting in the Council of Ministers, notwithstanding unsolved CAP financial questions”.

The presidential election of December 1965 gave the French people, particularly farmers' organizations and business interests, a chance to reflect their opinion. The election results showed that the public opinion did not approve of De Gaulle's European policies and there was a important decline in De Gaulle's supporters. After the election, De Gaulle defused the tension and showed his willingness to end the crisis. Moreover, the five did not want to endanger the Community's future and were ready to negotiate with France to end the crisis. As a result of this, after six months, the six reached an agreement in January 1966, which was known as the Luxemburg Compromise (Dinan, 2010: 38).

Under the terms of the Luxemburg Compromise, the finances of CAP would continue to be temporally provided by the national governments. The most striking agreement was any member states would reserve their rights to veto proposals when 'their national interest are at stake' (Dinan: 38). Consequently, De Gaulle achieved his objectives. Thanks to the unanimity voting, he could protect the French sovereignty. However, the supranational structure of the Community was damaged by unanimity voting. The Luxemburg Crisis led the Community to seem an intergovernmental union of independent states until the Single Act, which provided for the majority voting in many policy areas, was signed in 1986 (Urwin, 1995: 115; Bache, 2006: 134).

It is an undeniable fact that the Luxemburg Crisis had a negative effect on the development of West European integration. The first noticeable outcome of the crisis was the transition from qualified majority voting to unanimity voting. As a result of this, the pace of the development of West European integration slowed until the mid-1980s. Taking into account unanimity voting, any members state could use their right of veto on issues which they believed and claimed that their vital national interests were under threat. In other words, as it was unclear in the Luxemburg Compromise which matters were crucial for the member states or not, any member states could slow the process of integration down by exercising a veto in order to protect their national interests (Urwin, 1995: 115). Furthermore, Garrett (1995) claims that the Luxemburg Comprimise led the European legislative process to resemble more

the pure intergovernmental bargaining characteristic of many international negotiations under anarchy for two decades.

Another prominent outcome of the crisis was that both Hallstein's credibility and the Commission's confidence weakened significantly. Hallstein's Commission was widely accused of provoking the 1965 crisis by insisting on more powers for itself and the Parliament (Urwin, 1995: 114). After the resignation of Hallstein in 1967, the new Commission president, Jean Rey, approached national interests more sensitively. Moreover, under his ruling, the Commission was less assertive and ambitious (Dinan, 2004: 108). As a consequence of this, the development of West European integration was under the control of the individual governments, not with supranational institutions, which was what De Gaulle had wanted (Bache, 2006: 128).

In light of this, we will have a look at two grand theories, called Neofunctionalism and Intergovernmentalism. Each theory takes a different approach to the development of West European integration.

Neofunctionalism argued that "integration in one area of activity would lead to pressures and political support for integration in other related areas" (McCormick, 2011: 21). According to neofunctionalists, there were three spillovers; functional, political and cultivated spillover. They claimed that full integration would happen thanks to these spillovers. For example, the ECSC and the EEC showed functionally great success. Moreover, the Commission and transnational interest groups played an important role in the acceleration agreement to create a common market. In agricultural negotiations as well as the reduction of industrial tariffs, they put pressure on governments to take further integrative steps. Consequently, that meant the non-state actors were important in international politics (Bache, 2006: 135).

However, intergovernmentalists objected to the neofunctionalist arguments. They claimed that the effect of national governments had to be taken into account. As governments had sovereignty, they did not want to share their sovereignty with the supranational institutions. Hoffman asserted that governments had much more autonomy than in the neofunctionalist view. Thus, the process of integration was in governments' hands. For instance, when the Commission submitted the proposal regarding the budgetary authority in 1965, De Gaulle was in

opposition to the proposal to protect the French sovereignty. Furthermore, De Gaulle caused the Luxemburg crisis both to prevent qualified majority voting and to retain a veto right. Intergovernmentalism argued that the commission's role was very weak and ineffective. Its proposals were often overlooked when they clashed with the interests of the key member states, such as France (Bache: 135).

In terms of the theoretical investigations of the West European integration process, although the neofunctionalist arguments explained more clearly the first decade of integration, the intergovernmentalist points were well taken between the 1960s and the mid-1980s. But, when the single act was signed in 1986, neofunctionalist theory came into prominence again.

4. Conclusion

To sum up, the first decade of West European integration painted a promising picture for further integration. Under Hallstein's leadership, the Commission, which became hopeful with economic success of the community, wanted to obtain political gains to enhance the supranational structure of the Community. However, when the Commission submitted the proposal regarding a transfer of the budgetary power from the national parliament to the European parliament and the Commission, its proposal was met with fierce reaction by De Gaulle. So, De Gaulle caused the Luxemburg Crisis to protect the national interest of France. However, the Luxemburg Compromise revealed that the decision making process, as much as or even more than the Community budget, was the underlying cause of the crisis. Thanks to the unanimity voting, any member states could block the decision making process within the Community by claiming that their vital interests were at stake. As a result of this, the pace of West European integration slowed down for two decades. The crisis undermined the morale of the Commission by preventing its desire for further integration. Moreover, the Commission was made a scapegoat for the crisis. Last but not least, the crisis and its result demonstrate that the member states were selfish and had pragmatic 'cost-benefit' attitudes. Because of the reasons I have mentioned above, intergovernmentalists refuted the neofunctionalist arguments until the mid-1980s. Until then, the process integration re-

mained intergovernmental. It can be seen that governments, especially the French government, played an important role in the Luxemburg Crisis. Yet, when the Single Act was signed in 1986, neofunctionalism came to the fore again.

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