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A BOLDER EUROPEAN UNION

Today's challenges in the spirit of the 1985 Milan European Council

Introduction

June 1985. In Milan, the leaders of the ten European Community member states gathered for a summit that changed the course of integration. After years of stagnation, the goal was bold: complete the Single Market by 1992. But unity was not guaranteed.
British Prime Minister Margaret Thatcher opposed any shift away from national vetoes. She defended unanimity—the rule that gave each country a final say.
Italy, holding the presidency, chose to lead. Prime Minister Bettino Craxi broke with tradition and called a vote—something unprecedented in the European Council, which usually operated by consensus. The question: Should Europe launch an intergovernmental conference to revise its treaties?
The result made history: seven countries voted yes, three countries— the UK, Denmark and Greece —voted no. For the first time, Europe moved forward without unanimity. Thatcher stood isolated. Thanks to Italy's leadership, the path to the Single European Act was now open—the first major treaty reform since Rome, and the legal foundation of the European Union as we know it today.
Signed in 1986, the Act extended majority voting, empowered the European Parliament, and made the Single Market a reality. The Milan decision proved that Europe could overcome paralysis when Member States show political initiative and embrace institutional creativity.
Today the European Union has 27 member states. In many policy areas, majority voting allows them to act in concert. Yet, in key policy areas, like foreign and security policy or taxation, the unanimity requirement remains.
Milan 1985 reminds us that when Italy exercises leadership with clarity and ambition, it can substantially help Europe to move forward. Even in a Union nearly three times bigger than 40 years ago.
A few months before the Milan meeting, in January 1985, the newly appointed European Commission, chaired by Jacques Delors, started working to guide the European Economic Community (EEC) out of the crises of the previous decade and advance the European project.
The agenda of full internal market integration received unanimous approval

from member state governments. Facilitating the free movement of goods, services, capital, and people across member state borders within the EEC was considered a solution to the region's economic and social challenges, aiming to boost growth, competitiveness and employment and reaffirm the legitimacy of the Community.

While the White Paper and the Single European Act provided a framework for market integration, policymakers acknowledged that achieving the Single Market and its objectives required firms to engage in activity across EEC member states.

Following the Milan Council in 1985, a key goal of the Commission was to encourage business leaders and entrepreneurs to seize Europe's opportunities and offer guidance on navigating the challenges and opportunities of the Single Market.

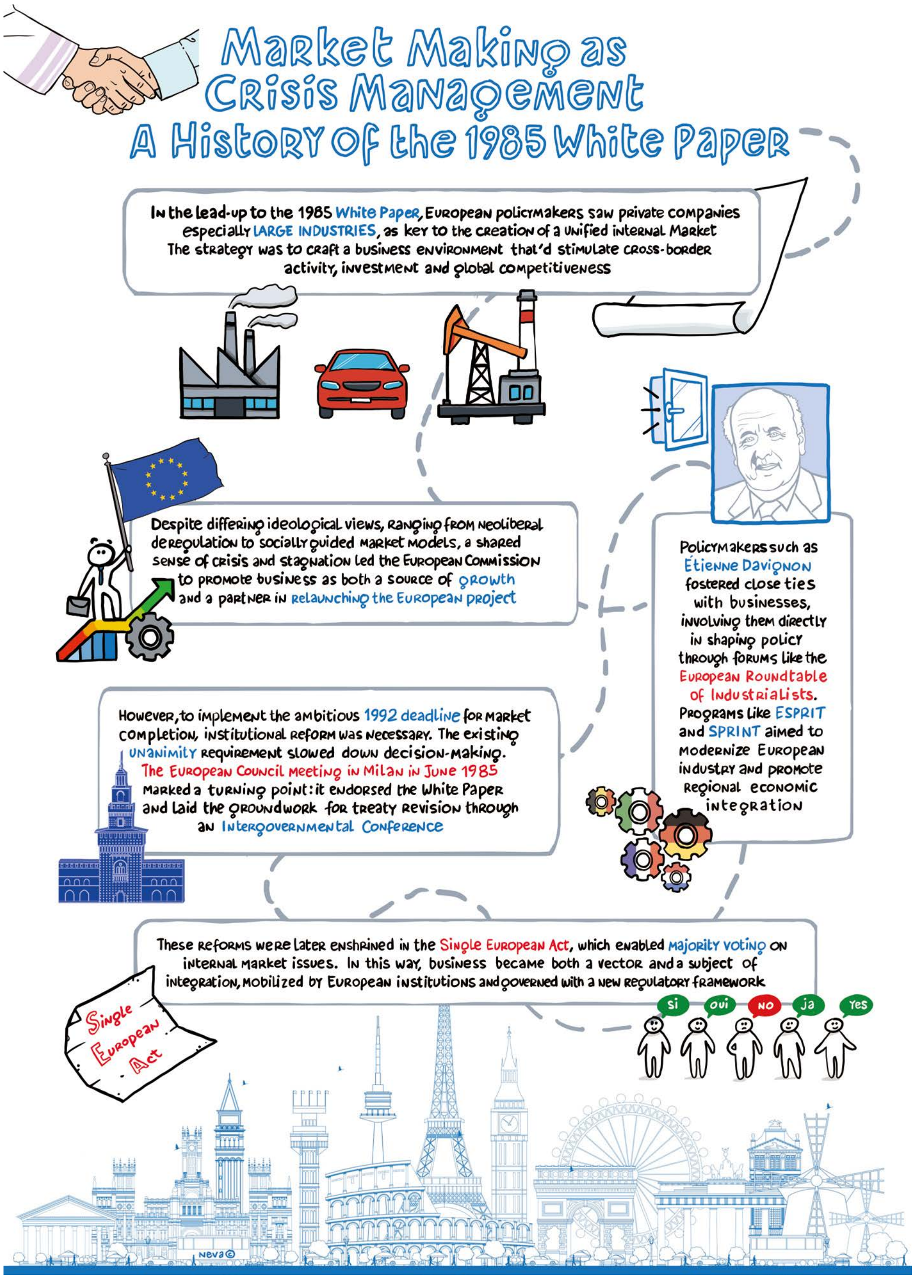
The primary targets for these efforts, especially during the mid and late 1980s, were big European companies, multinational corporations already doing business in multiple EEC member states and poised for further expansion in the Community.

1985 was indeed a year that made the history of the European integration process.

Market Making as Crisis Management

A History of the 1985 White Paper

Grace Ballor


Market Making as Crisis Management
A History of the 1985 White Paper
In the lead-up to the 1985 White Paper, European policymakers saw private companies especially LARGE INDUSTRIES, as key to the creation of a unified internal market. The strategy was to craft a business environment that'd stimulate cross-border activity, investment and global competitiveness
Despite differing ideological views, ranging from neoliberal deregulation to socially guided market models, a shared sense of crisis and stagnation led the European Commission to promote business as both a source of growth and a partner in relaunching the European project
Policymakers such as Étienne Davignon fostered close ties with businesses, involving them directly in shaping policy through forums like the European Roundtable of Industrialists. Programs like ESPRIT and SPRINT aimed to modernize European industry and promote regional economic integration
However, to implement the ambitious 1992 deadline for market completion, institutional reform was necessary. The existing unanimity requirement slowed down decision-making. The European Council meeting in Milan in June 1985 marked a turning point: it endorsed the White Paper and laid the groundwork for treaty revision through an Intergovernmental Conference
These reforms were later enshrined in the Single European Act, which enabled majority voting on internal market issues. In this way, business became both a vector and a subject of integration, mobilized by European institutions and governed with a new regulatory framework
Single European Act
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Introduction

In January 1985, the newly appointed members of the European Commission gathered around their conference table at the institution's Berlaymont headquarters in Brussels to determine how to make a single, internal market. Their primary objectives under new Commission President Jacques Delors were to shepherd the European Economic Community (EEC) out of the crises of the previous decade and reinvigorate the "stalled" European project. Even before officially taking up his position, Delors offered several proposals to achieve those ends, ranging from common defense to monetary union. Above all, it was the agenda of full internal market integration that won unanimous approval among member state governments looking to Brussels for solutions to widespread economic and social problems. By facilitating the free movement of goods, services, capital, and people across member state borders within the EEC, an internal market could remedy the region's economic and social crises, reenergize growth and employment, and re-legitimize the Community, reasoned national officials and regional policymakers. They believed the right market policies could also bolster European competitiveness in a global economy full of rivals from other regions and lay a foundation for further integrative aims like political, economic, and monetary union.

The diversity of Commissioners complicated debates about how to make a market. Not only did the institution's composition change often given the

Delors Commission I, 1985-1988 [1]

[1] Meeting of the Delors Commission (1985)" 1 June 1985, Centre virtuel de la connaissance sur l'Europe (CVCE).

four-year terms of its members during the late 1950s to early 1990s, but enlargements also increased the number and widened the perspectives of its policymakers. Commissioners hailed from countries with drastically different economic systems and policy approaches, ranging from German ordoliberalism to French dirigisme to British neoliberalism, competition between which played out in policy meetings about market integration in the 1980s as much as it had in the EEC's efforts to develop a collective response to the problems of the 1970s. When they designed the Single Market, few of the Commission's then 18 members had training in economics. Some, like the Dutch Frans Andriessen and Manuel Marín from Spain, were lawyers before entering civil service; others, like António Cardoso e Cunha from the new member state of Portugal, had corporate careers before joining the Commission. Such diverse national and professional backgrounds informed their many views on the place of business in the Single Market. For liberal Commissioners like Peter Sutherland, who later became the founding Director General of the World Trade Organization (WTO), regulation posed a threat to the primary goal of growth; for those of more socialist persuasions like the Italian environmentalist Carlo Ripa di Meana, the market was only worth pursuing if it could provide a path to humane, cohesive, sustainable, and equitable development – not guaranteed by the "invisible hand" of market forces. In some ways, these diverse perspectives enriched the work of market making. At the same time, discrepancies within the institution underscored the challenges of intergovernmental consensus and left its policymaking endeavors open to outsized influence from those with vested interests in certain market outcomes. Despite their differences, however, policymakers in the Commission developed a comprehensive program for market integration that relied on the regionalization of business.

This paper, derived from a chapter of my forthcoming book with Cambridge University Press, *Enterprise and Integration: Big Business and the Making of the Single European Market*, historicizes the Single Market Program, which transformed regional economic, commercial, competition, industrial, and social policies and remade the relationship between firms and European governance. It contextualizes the challenges that motivated the EEC to pursue market integration and argues the Commission viewed market making as a means of economic and social "crisis management."

"Crisis" Management

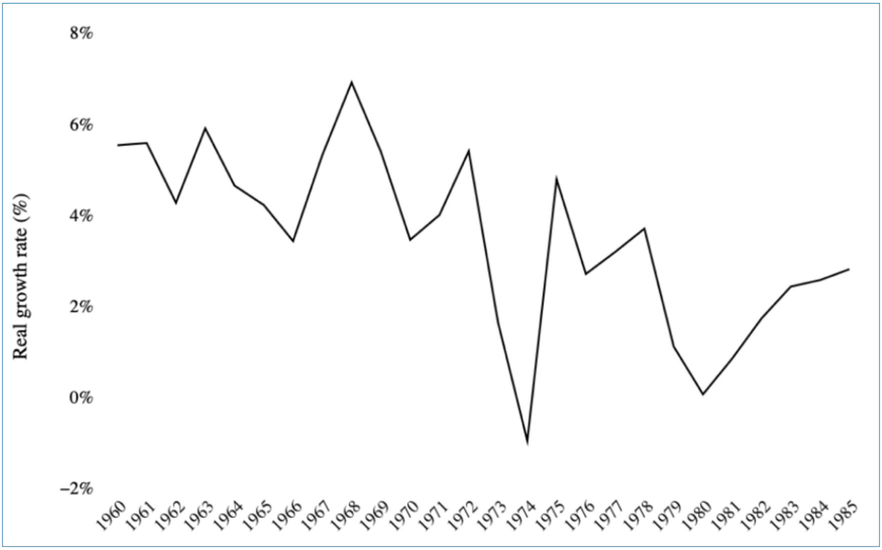
EEC economies floundered in the early 1980s. Three decades of economic integration since the Treaties of Paris and Rome in the 1950s had removed tariff barriers, created a customs union, and increased trade between EEC member states. But the momentum of postwar economic miracles stalled by the late 1960s. The searing hot 6-8% growth rates of postwar reconstruction cooled to 3-5% by the end of the 1960s, and the volume of trade between EEC member states plateaued. In the 1970s, traditional manufacturing collapsed, inflation and unemployment both surged. Downward pressure on economic growth was punctuated by oil shocks in 1973 and 1979. That European economies lagged their counterparts in other regions – and that foreign companies, especially from the US and Japan, increasingly claimed greater market shares in the EEC – only heightened the sense of urgency for a collective policy response lest Europe be relegated to the margins of the globalizing economy. Some observers argued that the European project itself had stalled with the region's economies. "Eurosclerosis" gave way to "Europessimism:" if the world's only supranational institutions could not solve such problems, then what was the EEC good for? Such criticism came from politics, academia, and the general public, whose support for the EEC had dwindled to just 25% in 1980 and for whom the introduction of direct elections and new powers for the European Parliament still did not solve what they saw as the Community's fundamental democratic deficit.[2]

European officials and policymakers met frequently during this period to triage both the region's economies and the EEC's legitimacy. They were particularly concerned about solving widespread unemployment and "stagflation," the dangerous combination of high inflation and slow growth, which averaged just 0.6% across the EEC in 1981. Uneven development also troubled the European Parliament and the consultative body of the Economic and Social Committee, both of which drafted recommendations on cohesive economic policy. Meanwhile, consumer price inflation soared, reaching 12% in 1980.[3]

[2] European Commission, *Together since 1957: 35 Years of Eurobarometer: European Integration as Seen by Public Opinion in the Member States of the European Union*, 2009.

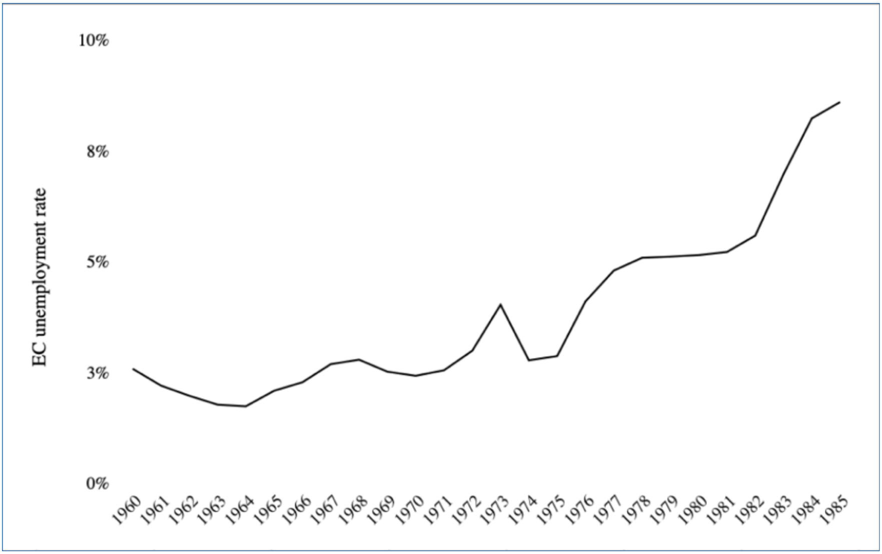
[3] European Commission, "Annual Economic Report 1980-81: COM(80)596 Final," October 15, 1980, Archive of European Integration (AEI).

Unemployment rates increased steadily throughout the 1970s, too, averaging 6.5% by late 1980 as manufacturing productivity increased and then gave way to services.[4] As relatively new entrants to European labor markets, women fared far worse than their male counterparts in finding work. In Italy, for example, female unemployment topped 10.2% at the height of the recession following the 1979 Oil Shock.[5] Social tensions manifested in mass protests, and industrial action became a frequent mode of expression for frustration and dissatisfaction with national governments, especially where the Keynesian economics of state intervention seemed to have failed.



EEC Real Growth Rate, 1960-1985 [6]

[4] European Commission, "European Economy: 1998 Broad Economic Policy Guidelines" (Directorate General for Economic and Financial Affairs, 1998).
[5] "Unemployment Statistical Telegram: Monthly Statistics of Registered Unemployed in the Community" (Eurostat, February 15, 1980), AEI.
[6] European Commission, "European Economy: 1998 Broad Economic Policy Guidelines" (Directorate General for Economic and Financial Affairs, 1998): 70-85.



EEC Unemployment Rate, 1960-1985 [7]

Many EEC officials experienced these economic and social challenges as natural disasters, as unavoidable and unforeseen exogenous shocks, rather than as cumulative consequences of business cycle undulations, policy decisions, and geoeconomics, let alone as a structural collapse of capitalism. Few discussed the cycle theories of Clément Juglar, Nikolai Kondratiev, and Thorstein Veblen when growth plateaued and unemployment rose in the 1960s and 1970s. They engaged only slightly more with contemporary economic theorists, although they did so seemingly indiscriminately, with no clear ideological bias. Reflecting the diversity of thought within the region and its institutions, they invoked liberal and state interventionist, supply side and demand side, marketeer and monetarist thinkers in nearly equal, although small, measures. Just six working papers mentioned Friedrich Hayek in assessments of agriculture and consumer protections. Joseph Schumpeter's writing on innovation made its way into a modest dozen policy documents produced by the EEC before the mid-1980s.

[7] European Commission, "European Economy: 1998 Broad Economic Policy Guidelines" (Directorate General for Economic and Financial Affairs, 1998): 64-69.

Milton Friedman was marginally more popular, with citations in 16 documents on purchasing power parity, world hunger, inflation, and labor markets. John Maynard Keynes loomed largest in EEC economic thinking; nearly 90 working papers, speeches, and official texts cited his work in relation to postwar political economy and monetary union. Overall, though, those making economic policy decisions for the EEC rarely referenced economic theory in their attempts to make sense of – and manage – the region's economic challenges.

By contrast, the mythos of Jean Monnet's famous maxim that "Europe will be forged in crises and will be the sum of the solutions adopted for those crises" had permeated European institutions, however ahistorical and problematic.[8] More than 5,000 EEC documents across the EEC's official languages addressed the urgency of "crisis/es" from the 1950s to early 1980s. By that time, European officials seemed convinced of their responsibility to rise to the occasion and manage the crises out of which they, too, believed Europe would continue to be forged. In 1981, West German Foreign Minister Hans- Dietrich Genscher and his Italian counterpart Emilio Colombo drafted a joint proposal to reinforce political cooperation and collective foreign policy by weakening member state veto power. This Genscher- Colombo Plan for a European Act concluded that the solidarity of the Community and its strength on the world stage was contingent on solving the region's economic and social problems, for which "the common market must not only be maintained: it must be brought to completion." Full economic integration, the plan argued, would position the Community to realize the "potential of the European economic area, increase its competitiveness, improve investment opportunities and reduce the level of unemployment."[9] Even the success of European foreign policy required internal market integration. And the narrative and responsibility of crisis management drove the Council to call on the Commission to look for new, remedial policy avenues to reenergize economic growth.

[8] Jean Monnet, *Memoires* (Artheme Fayard, 1976); Laurent Warlouzet, "European Integration History: Beyond the Crisis," *Politique européenne* 44, no 2 (2018): 98-122.

[9] Hans-Dietrich Genscher and Emilio Colombo, "Draft European Act Submitted by the Governments of the FRG and Italy, 6 November 1981," *Bulletin of the European Communities*, November 1981, No 11. Luxembourg: Office for Official Publications of the European Communities: 87-91.

Relaunching the Community

In 1982, just after Greece joined the EEC and amid discussions about another enlargement to include Spain and Portugal, the heads of member states on the European Council cited the convergence of external and internal pressures in their appeals to "relaunch" the Community and its "unfinished integration," however anachronistically framed given the achievements of the preceding years. After several months of meetings, including deliberations on the Genscher-Colombo Plan, the Council held a Summit in Copenhagen, at which it endorsed the "need for a comprehensive strategy for achieving a marked improvement in the employment situation through the creation of durable new jobs" through a broad range of interlinking member state and regional policies.[10] To policymakers in the Comission, manufacturing seemed best placed to the deliver "durable" jobs the Council wanted and recapture the employment rates and industrial economy of the postwar boom. Furthermore, reduced interest rates could encourage productive activity; investing in new industries could prepare young people to take advantage of high-tech jobs; reorganizing working hours and facilitating mobility could afford Europeans more flexibility; removing market barriers could boost trade; dynamic energy policy could simultaneously offer savings and diversify supply; and strengthening the EMS could increase international cooperation. In short, growth and employment were the goal. Whatever policy agenda they settled on to these ends would also have to align with their objectives for international trade in the ongoing GATT negotiations of the General Agreement on Tariffs and Trade and collective foreign policy.

When the Council met in Stuttgart in June 1983, its members not only identified their priorities for relaunching the Community, but they made a Solemn Declaration to create the European Union they determined was necessary "to meet the dangers of the world situation" and ensure "social progress."[11] To achieve the vision of a union bound by the "common destiny" of democracy and human rights, the Council laid out four major spheres of work to be completed, chief among which were solving employment and inflation and

[10] European Council, "The Presidency's Conclusions on the Proceedings of the European Council", Copenhagen 3-4 December 1982.

[11] European Council, "Solemn Declaration on European Union," Stuttgart, 19 June 1983. In January 1983, the EEC created an "Internal Market Council."

strengthening the European Monetary System and common commercial policy. The Declaration secondarily aimed to complete the unfinished internal market, develop a common industrial strategy to make European business more globally competitive, and facilitate legal approximation to protect industrial and commercial property, ensure consumer protection, and achieve a common company law.[12] The Council turned to the Commission as the "driving force in the process of European integration," empowering it to develop policy proposals that could give new life to the Community and eventually constitute a Treaty on European Union.[13]

Under Gaston Thorn, Luxembourgish politician and Commission president from 1981-1985, the Commissioners responsible for internal market (Karl-Heinz Narjes, Germany), industry (Étienne Davignon, Belgium), and competition policies (Frans Andriessen, Netherlands) renewed their efforts to achieve the economic aims set by the Council. Thorn, who, according to his successor Jacques Delors, "submitted about fifteen very interesting plans to deepen the single market" – none of which were ever adopted because of the unanimity rule, also encouraged business groups like the Chambers of Commerce to reinforce its political support for more market integration, lest Europe succumb not only to competition from the US and Japan but also to what he described as the dirigiste inclinations of European officials.[14] Thorn's leadership was quickly eclipsed by the charisma of his vice-president and erstwhile rival Viscount Étienne Davignon, whose long career in Belgian politics, European institutions, and business included serving as the attaché of Paul-Henri Spaak, architect of the common market in the 1950s. Davignon also authored a report on the future of collective foreign policy and the problems of political unification in 1970, and his charisma won him a large rolodex of corporate contacts.[15]

[12] Official Journal of the European Communities, "Resolution du conseil du 12 julliet 1982 concernant une action communautaire pour combattre le chômage, No C 186/1, BAC 174/1999 n. 2505 (1985), Archives of the European Commission, Brussels (COM).

[13] European Council, "Solemn Declaration," 5.

[14] European Commission, "Une perspective europpéenne: Intervention de Gaston Thorn, Lors d'un dejeuner, Causerie organise par la chambre de commerce de Bruxelles," Avril 1984: 13; Jacques Delors "The Single Market: Cornerstone of the EU," Notre Europe, 22 November 2012.

[15] Bulletin of the European Communities. November 1970, n° 11. Luxembourg: Office for Official Publications of the European Communities. "Davignon Report (Luxembourg, 27 October 1970)", p. 9-14.

He was keen to bring European multinationals into the EEC's political process by creating a forum similar to the US Business Roundtable.[16] The European Roundtable of Industrialists (ERT) was created in April 1983 and met biannually with the Commission at Berlaymont – including in June 1985 – to advise policymakers about how to stimulate the European economy and discuss "Obstacles to European Industrial Growth."[17]

Beyond the ERT, Commissioners met frequently with many sectoral BIAs to solicit industry input on policy proposals and encourage business groups to embrace the EEC's economic agenda. Forums like the Center for European Policy Studies (CEPS) in Brussels also brought public and private interests together expressly for the purpose of advancing their common policy objectives. At CEPS in 1984, Wisse Dekker, Chairman of the Dutch multinational Philips, outlined a five-year plan to complete an internal market by removing physical, technical, and fiscal barriers to trade. Developing common European policies seemed far too burdensome to meet Dekker's 1990 deadline; instead, collective deregulation offered a much more expedient path to policy convergence. Anxious about further economic downturn, Dekker argued: "there is really no choice…The only option left for the Community is to achieve the goals laid down in the Treaty of Rome. Only in this way can industry compete globally, by the exploiting of economies of scale for what will then be the biggest home market in the world."[18] At the same time, the European Parliament passed a Resolution on the need to implement the internal market for the benefit of all stakeholders.[19]

[16] Edwin Artzt (Procter & Gamble Company), "Letter to Viscount Étienne Davignon on a European Business Roundtable, 10 May 1979," INV 0015/2019 no. 7 (1977-1983, COM.

[17] European Roundtable of Industrialists, "Foundations for the Future of European Industry," June 1985, PSP-385, HAEU: 6-7.

[18] Dekker published his 1984 plan in an academic journal the following year: Wisse Dekker, "Europe 1990: An Agenda for Action," *European Management Journal* 3, no. 1 (March 1, 1985): 5–10.

[19] Klaus Löffler, "More of a Heavyweight Than It Looks: The European Parliament's Role in Setting Up the Internal Market," *Commission of the European Communities: Monthly Newsletter on the Single Internal Market*, 4 April 1992. For more on the role of the Parliament in market integration, see: Laurent Warlouzet, *Completing the Single Market: The European Parliament and Economic Integration*, 1979-1989 (LU: Publications Office of the European Union, 2020).

The Politics of Market Making

As new Commission President, Delors' presidential mandate was clear: relaunch the Community. It was his responsibility, together with his cabinet chief Pascal Lamy, to develop the Commission's policy agenda for how best to do that and to allocate policy portfolios to his fellow Commissioners accordingly. Given his career experience in central banking, Delors argued that a single currency would most effectively propel the EEC forward out of crisis and toward closer union. He was careful, however, to temper his ambition with pragmatism. To ensure member state support for his policy agenda, he shopped four proposals around member state capitals in the fall of 1984, asking heads of state what major project they thought would best reinvigorate the region and reenergize its economy: developing common defense, creating a monetary union, pursuing institutional reform to resolve the EEC's persistent democratic deficit, or completing the internal market? Only market integration earned the unanimous support of Council members, so Delors resolved to complete the internal market as the foundation on which his other aims could be achieved. Consequently, beyond managing the crises of secular stagnation and social strife, market making was motivated by a constellation of diverse economic, political, and social ambitions for the EEC, some of which were eventually incorporated into efforts to create a single market.

Portfolio allocation had always been a complicated set of negotiations, and the objective of successfully relaunching the Community by completing an internal market that could lay the foundation for economic and monetary union only raised the stakes. In this, too, Delors proved himself to be both highly pragmatic and an effective diplomat. In October 1984, he went to London to meet Thatcher, who insisted that her Commission appointee Francis Arthur Cockfield – a London School of Economics law graduate who worked in both private sector finance and government taxation and served as UK Minister for Trade under the Conservatives – be given responsibility for the internal market. Thatcher wanted to position British interests at the center of the Commission's policy agenda and limit Delors' other ambitions. Delors agreed and even made Cockfield a vice-president of the institution, further cementing a good working relationship with the British Prime Minister committed to market liberalization at home and abroad and skeptical of the overreach of regional governance. In theory, Davignon's departure from the Commission meant that his behemoth portfolio could be reapportioned. But even after the separation of energy and nuclear policy from industrial affairs, Cockfield secured a capacious brief including the internal market, financial services, company law, taxation, the customs union, manufacturing, pharmaceutical and chemical industries, construction, and distribution, allowing him to expedite his development of market policies unimpeded by colleagues with intersecting responsibilities. The remaining portfolios were delegated at a preparatory meeting of the new Commissioners and their cabinets at the Royaumont Abbey outside Paris in December 1984, where German Karl-Heinz Narjes was charged with Industrial Affairs.[20]

The Milan Council Meeting and Single European Act

Within a week of the Commission officially convening in early January 1985, Delors formally announced the "thrust" of his institution's agenda to the European Parliament: to endow Europe with economic, technological, financial, and monetary strength through a "large market and industrial cooperation, the strengthening of the European Monetary System, and the convergence of economies to lead to higher growth and more jobs."[21] He emphasized – and perhaps exaggerated – the crises Europe faced to underscore his point.[22] The Community had not yet realized the objectives of the Treaty of Rome, he argued, because the "engineers of European integration are fumbling not over 'what has to be done' but rather over 'how to go about it.'"[23] The what was clear: to create a "tangible Europe, a real Community," to restore Europe's credibility by rediscovering the path to economic growth, and "to eliminate all frontiers in Europe by 1992," within two of the Commission's four-year terms.[24] He cited Davignon's ESPRIT Program as a model of how an integrated market could throw open the doors to innovation, competition, and

[20] "Delors and his 13 Apostles," *Economist* 17 May 1984, JD-17, FJME.
[21] European Commission, "The Thrust of Commission Policy: Statement by Jacques Delors, President of the Commission, to the European Parliament" 14-15 January 1985, Strasbourg (Bulletin of the European Communities): 9.
[22] Wayne Sandholtz and John Zysman, "1992: Recasting the European Bargain," *World Politics* 42, no. 1 (1989): 98.
[23] European Commission, "The Thrust of Commission Policy," 4.
[24] European Commission, "The Thrust of Commission Policy," 5-6.

growth, simultaneously expanding choices and reducing prices for consumers. Although Delors assured the Parliament that he was realistic about the challenges of creating a single currency right away, he argued that the market's objectives could be accelerated by economic and monetary union. Regardless of the economic means, he promised that the Commission, as "engineer of this European construction project" and "guardian of the public interest," would attend to the needs of all stakeholders – business and commerce, firms and workers – whose participation and collaboration would be essential to the market's success.[25] But devising a plan to achieve a true internal market – the how – would take "a little time," perhaps until March. It would also require institutional reform, since the unanimity principle established in Article 100 of the Treaty of Rome had hampered progress toward market integration in the past and, as Delors discovered on his tour of member state capitals a few months before, national priorities differed widely.

Although not all parliamentarians welcomed Delors' agenda in January 1985, Cockfield wasted no time in tackling the question of method that had frustrated earlier efforts to integrate member state markets. Over the following months, he developed an extensive three-pillared plan, not unlike the brief proposed by Dekker, to remove all physical, technical, and fiscal barriers to trade through 279 measures of legislative harmonization, like developing a common value added tax, regulating state aids, and opening public procurement contracts across the EEC. These measures were to be implemented through Directives – legislative acts drafted by the Commission and approved by the Council with input from the Parliament – that outlined results to be achieved by each member state. Cockfield's plan also included a "New Approach" to standardization, the process of creating common norms and technical standards, around which policymaker and big, especially industrial, business interests converged. By June, the Commission submitted Cockfield's "White Paper on Completing the Internal Market" to the Council for approval at its Milan Summit, where it was also considering the Dooge Committee's Report March 1985 Report on institutional reform and the strategy of using market integration as a means of political unification.[26] The White Paper described Europe at a crossroads, facing

[25] European Commission, "The Thrust of Commission Policy," 10.

[26] European Council, "Ad hoc Committee for Institutional Affairs Report to the European Council (Brussels, 29-30 March 1985) [Dooge Report]," March 29, 1985.

the choice between embracing the future of a Single Market with resolution and determination or simply allowing Europe to slip into the mediocrity of being nothing more than a free trade area, rather like the EEC's economic rival in the region, the EFTA.[27] And it argued that Europe could only retain its place in the global economy "by enabling industries to make economies of scale and therefore to become more competitive."[28] Council members, who had already unanimously supported Delors' proposed agenda of market integration, readily accepted the White Paper and its completion deadline of 31 December 1992, giving Cockfield the confidence to declare the Single Market Program the "flagship of the enterprise" at the core of the EEC and himself the architect and "Father of the Single Market."[29]

That the EEC had barely managed a handful of legislative harmonization measures each year before 1985 made the 1992 Program's timeline look like an unwinnable race, however. Only institutional reform could accelerate the process. With the market as motive and the Dooge Report as a guide to the comprehensive economic and social objectives of market making, the Council agreed to an unprecedented Intergovernmental Conference in September 1985 on amending the Treaty of Rome.[30] Among the many interventions achieved by the fraught negotiations over the resulting Single European Act (SEA), signed in February 1986 and effective in July 1987, were augmenting the agenda-setting authority of the Commission, increasing the power of the European Parliament to make decisions with the Council about the internal market, and entrusting the Economic and Social Committee – consisting of representatives from industry, labor, and the general public – with commenting on policy proposals.

Most importantly, the SEA replaced the cumbersome unanimity principle, which had impeded earlier efforts to remove non-tariff barriers and integrate

[27] European Commission, "White Paper from the Commission to the European Council on Completing the Internal Market (COM(85)310 final)," Milan, 28-29 June 1985: 55.

[28] European Commission, "White Paper."

[29] Arthur Cockfield, *The European Union: Creating the Single Market* (Chichester: Wiley Chancery Law, 1994).

[30] Commission des Communautes Europeennes, "Comte rendu de la 11ème réunion du comite ad hoc pour les questions institutionelles (Comite Dooge) les 13, 14, et 15 mars 1985," Bruxelles, 19 mars 1985, COM.

Community markets, with an extension of qualified majority voting (QMV) first established in the Luxembourg Compromise of 1966.[31] This allowed the Council, in cooperation with the Parliament and with input from the Economic and Social Committee, to move past persistent deadlock and make economic policy decisions on a majority basis. By restricting member state veto power, the EEC could harmonize legislation much more efficiently and embark fully on a Single Market Program. Indeed, the pace of harmonization reported biannually by the Commission quickened in 1988 and beyond. Moreover, combining the principle of mutual recognition outlined in Articles 30-36 of the EEC Treaty and developed further in the ECJ's ruling in the Cassis de Dijon case with the new approach to legal harmonization presented in Article 100a, the SEA provided the institutional framework required to complete the White Paper's agenda of legislative harmonization.[32] Even if the SEA was ultimately achieved through interstate bargaining, many business groups had advocated for EEC reform and many more welcomed the resulting acceleration of progress toward an internal market.

According to Jacques Delors, "[The SEA] was based on a triptych […]: competition that stimulates, cooperation that strengthens, and solidarity that unites. […] the missing link […] is cooperation. That can of course be remedied through a total transfer of sovereignty to the European level, but such a prospect is neither possible nor entertained by the member states." However much such a transfer of sovereignty might seem to supplant democracy, Delors argued that the EEC's commitment to cohesion and its focus on social dialogue "which was very much alive between 1985 and 1994," achieved the following economic and social results "between 1986 and 1992: an additional 0.5 percent growth; 11 million new jobs created; a one-third increase in investments; and the development, both internally and externally, of mergers and acquisitions, thus a strengthening of competitiveness."[33]

[31] Council of the European Communities, "Report on European Institutions, Presented by the Committee of Three to the European Council (October 1979)," Centre virtuel de la connaissance sur l'Europe.

[32] Official Journal of the European Communities, "Communication on the Free Movement of Foodstuffs within the Community," 89/C 271/03, Vol. 32, (24 October 1989): Communication, A. Introduction, 1.

[33] Jacques Delors, "The Single Market: Cornerstone of the EU," *Notre Europe*, 22 November 2012.

Conclusions

As instrumental as the White Paper and SEA were in creating a framework for market integration, policymakers recognized that achieving the Single Market and its economic and social objectives required firms to engage in business activity across EEC member states. From the start of the 1992 Program, the Commission worked to convince European companies of the opportunities afforded by an internal market and to develop programs for facilitating business regionalization. The primary targets for these efforts, especially during the mid and late 1980s, were big European companies, multinational corporations already doing business in multiple EEC member states and poised for further expansion in the Community. Policies aimed at business in the Single Market evolved considerably during the 1992 Program due to the diversity of Commissioner perspectives and in response to the changing geopolitical and economic landscape of Community enlargements, the collapse of the Soviet Union, global competition, and Economic and Monetary Union. Through debates about industrial intervention and protectionism on the one hand and open competition and full liberalization on the other, a set of policies took shape around business in the Single Market. By the time Delors began his second term as Commission President with a new cohort of colleagues and new mandates to create a single currency and prepare the EEC for both deeper political union and the potential of Eastern enlargement, policymaker approaches to business took on further social and environmental dimensions.

Immediately following the Milan Council Summit in summer 1985, Cockfield embarked on a speaking tour to promote the internal market to European business. In addition to clarifying elements like intellectual property, insurance, and the recognition of healthcare worker credentials, he used his speeches to court market support from Chambers of Commerce and Confederations of Industry, encouraging their members to "seize Europe's opportunities" and offering advice about how to navigate the challenges and opportunities presented by the Single Market.[34] In many cases, Cockfield's audiences were already strong proponents; as he later recalled in his memoir, "nowhere did the concept of relaunching the Community receive greater support than in

[34] Arthur Cockfield, "Seizing Europe's Opportunities, Speech to the Chambers of Commerce of Belgium and Luxembourg," 11 November 1985, COM.

the top ranks of European industry."[35] Large corporations and peak BIAs were increasingly engaged in political activity in Brussels, especially after the SEA increased the Commission's capacity to set regional policy. Throughout the 1992 Program, the Commission continued to meet with the ERT, business networks, and sectoral BIAs to solicit business input on market policies and urge firms to embrace the market.

This pre-history of the White Paper on Completing the Internal Market represents just one part of a much larger story about the objectives and politics of making a single market, as well as the role of business in market integration. By surveying the macroeconomic context that motivated Council discussions about relaunching the Community by solving its economic and social problems and reviewing the role of business in the market's design and the politics of market making in the Commission, this paper has historicized the economic thinking behind the Council Summit in Milan in June 1985.

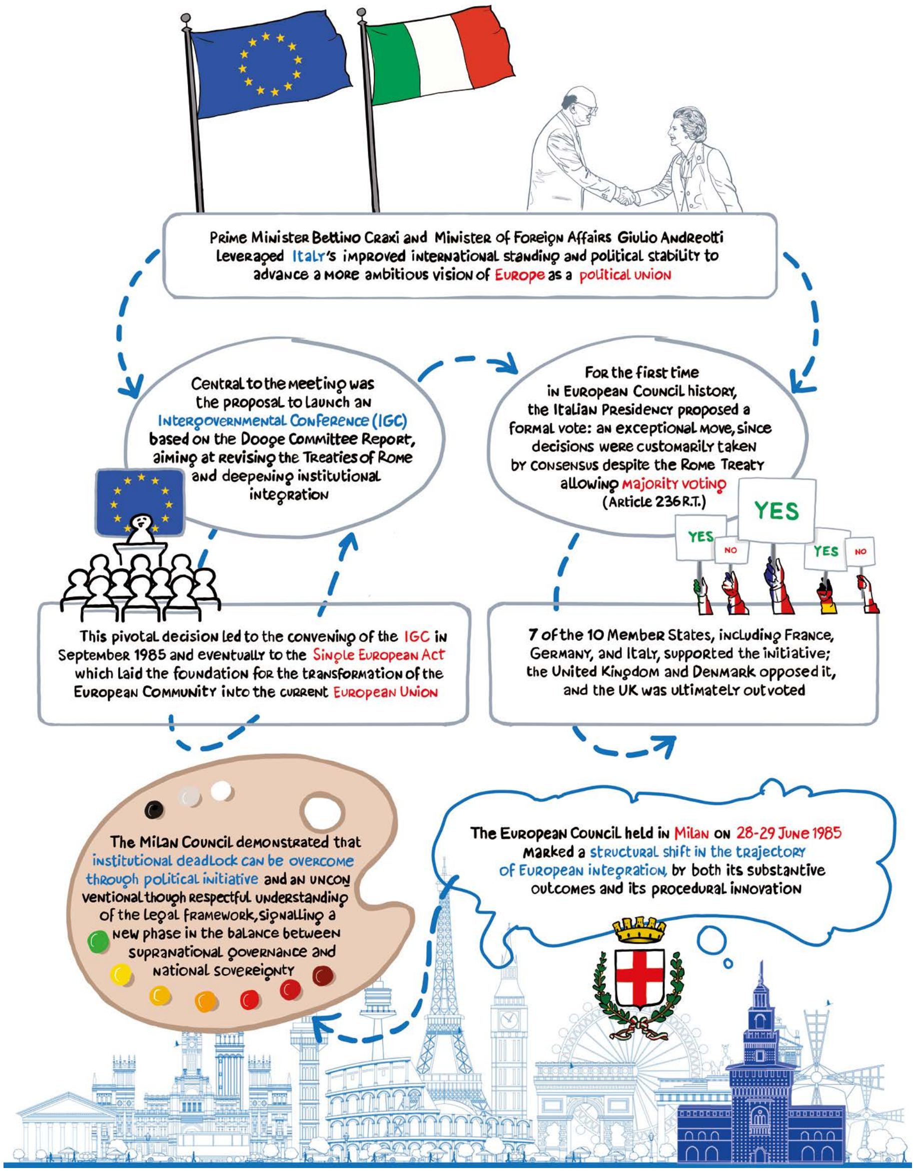
At the Castello Sforzesco, the Council agreed with the Commission's conclusion that an internal market could provide the economic and social "crisis management" the Community needed and secure its global economic competitiveness. My book explains how, by supporting the development of big "European" – especially industrial – business, the Commission aimed to deliver growth and "durable jobs," the EEC simultaneously relegitimized itself in the eyes of Europeans and laid the foundations for backlash against a neoliberal EU.

[35] Cockfield, *The European Union: Creating the Single Market*, 177.

1985: SIGN OF THE TIMES

Andrea Colli

1985: Sign of the Times



Executive Summary

The European Council meeting in Milan at the end of June 1985 can be better understood by examining the perspectives of the then Italian political leadership on Italy's global standing and its role within the emerging European Union, as well as the European leadership's vision of Europe's present and future identity.

Prime Minister Bettino Craxi, a socialist leader, used this opportunity to articulate his views on Italy's global role and its place within the European Community (EC). He advocated for strengthening Europe as a political entity, rather than merely an economic partnership. Craxi's outlook aligned with that of the governing coalition's "Atlanticist" vision, which emphasized cohesion among European countries and the United States through NATO treaties.

At the time, Italy was enjoying economic prosperity. Its GDP per capita was similar to that of the United Kingdom and just slightly below that of France and Germany. The country had successfully reduced inflation from a peak of 21% in 1980 to just over 4% by the mid-1980s. The trade deficit was diminishing, thanks to the success of "Made in Italy" products from industrial districts. While public debt was rising, it remained manageable and had not yet reached the alarming levels seen in the early 1990s. Italy's reputation had dramatically improved, both globally and among European partners.

The meeting was characterized by tension, primarily due to resistance from some members, notably the United Kingdom, which had historically opposed transforming the trading area into a more integrated political and economic union. For that to occur, an Intergovernmental Conference (IGC) was necessary.

Even if the European Council was not required to achieve full unanimity in its decisions according to the provisions of the Rome Treaties, consensus had so far been the rule. However, in order to break the deadlock and proceed with organizing an IGC, the Italian Presidency took the unusual (and unexpected) step of proposing, for the first time, a majority vote on the matter. The ability to leverage a majority vote under Article 236 of the Rome Treaty facilitated progress, despite the frustration of a characteristically Euro-skeptical Margaret Thatcher about holding an IGC. This was a fundamental move towards the

Single European Act and, ultimately, the new European Treaties signed years later in Maastricht in 1992. The IGC would indeed take place on September 9, 1985, with the support of seven of the ten member states.

A Sunny Weekend in Milan

During the last weekend of June 1985, leaders of the ten member states of the European Economic Community convened in Milan, at the beautiful – and in some way evocative – location of the Castello Sforzesco, where Leonardo da Vinci, one of the most "trans-European" geniuses, had worked for over two decades.

The event had a rather "obvious" superficial *raison d'être*: to celebrate the end of Italy's six-month rotating presidency, which had begun on January 1, 1985, after Ireland's. But it soon became a significant event, marking the first step of a structural transformation that had a permanent effect on the nature and organization of the Community itself.

For two sunny days, the symbolic Castello hosted not only the EC leaders but also (in the role of "observers") the prime ministers of two countries that were within a few months of joining the union – Spain and Portugal. Incidentally, this was another symbolic event within a symbolic event. Mario Soares and Felipe Gonzales, who were both of a socialist cultural and political inclination, represented two countries that would soon join the European Community just one decade after the end of two oppressive dictatorial regimes that had kept these Iberian countries outside the circle of European democracies. After several years of negotiation, the Treaties granting the Community access to Lisbon and Madrid had been signed a couple of weeks beforehand, on June 12. This was also a momentous event, which effectively emphasized the centripetal role of the EC, as not only a community of economic interests but also a supranational area. The dominant – and only accepted – political "regime" was liberal democracy. Moreover, it was a prerequisite for joining the club.

In terms of political orientation (and aside from the internal affairs of each participant) the European Council that gathered in Milan mirrored a community distinguished by a strong liberal and slightly progressive stance. This was embodied in the Christian Democrat governments of the Netherlands, Belgium and Germany, and in the socialist-liberal coalitions in place in France, Italy, Greece and Luxembourg (not to mention Spain and Portugal). Only two, Denmark and the United Kingdom, had a clear conservative attitude.

A Changing Vision of Europe

What happened at the European Council meeting in Milan during that weekend in June can be better understood by examining, among other things, the outlook of the Italian political leadership on Italy's global standing and its role within the Community (and the envisaged European Union). Also critical was the concept of Europe's present and future identity shared by the vast majority of the European leaders (and their foreign ministers) present at the meeting. As other contributions will analyze in more depth, the Milanese Council was about to take place with a series of issues to be debated – some more problematic than others. But the climate was described by members of the Community as characterized by an "atmosphere of trust" (Calamia 2012, p. 353).

Among the issues on the table, one was particularly "disruptive": the Report of the Dooge Committee instituted by the European Council at Fontainebleau in February 1984. In effect, it laid the basis for convening an IGC with the aim of revising the European Treaties of 1957, paving the way for the Single Act and, finally, for the European Union. A second dossier was to be discussed, of significant historical relevance: the "Delors Report," a European Commission White Paper that aimed at establishing the progressive elimination of residual trade barriers within the union by 1992.

However, while the Delors Report was fully approved by the Council in Milan, the contents of the Dooge Report were the hottest talking point. It was clear to everybody what it represented: not simply a bureaucratic streamlining of the Rome Treaties that had created the European Economic Community nearly three decades earlier, but a landmark that was about to lay the basis for transforming an area of pure economic cooperation into something else – a new institutional project. It signified the much more ambitious identity of a supranational political entity: the European Union.

The Dooge Report was put on the table of the beautiful room Sala delle Asse, originally frescoed by Leonardo da Vinci with the purpose of providing Ludovico Il Moro, a Milanese duke, with an elegant space for receiving foreign diplomats and ambassadors. Da Vinci had decorated the Sala with a forest of mulberry trees that simultaneously represented the region's main source of income (the silk produced by the worms eating the leaves of the trees) and the nickname of the lord ("*moro*" was the local term for the mulberry tree). Yet it also represented the openness Lombardy to the outside world: a forest, but accessible and travelled.

Notwithstanding the beauty of the location, the Dooge Report promised to spark a fire in that wood, given the intrinsic opposition of some members to an evolutionary path towards a political union. Luckily, however, the fire was promptly managed by two exceptional firemen: Craxi and his foreign minister, the experienced Christian Democrat Giulio Andreotti. Still, to fully understand how things unfolded, it's worth examining more closely the perspectives and goals of the Italian political leadership entrusted with the presidency of that European Council.

An Italian Opportunity

What took place on the second day of the meeting at the Castello Sforzesco, has to be framed, as noted earlier, in the context of the Italian political leadership's view of the country, and of its standing globally and within Europe. There were at least three relevant factors driving Italian action at that Council.
The first, though not necessarily in order of importance, was the firm "Atlanticist" vision of the Italian governing coalition. The Milan European Council took place during the first coalition government headed by a socialist leader, formed by five parties (the Socialist Party, the Christian Democrats, the Liberal Party, the Republican Party and the Social Democrats). Despite the wide political spectrum of the government, the coalition proved to be very stable, lasting for nearly three years – a remarkable achievement in the history of the Italian Republican phase. Regardless of the differences among governing parties, what they had in common was the idea of strengthening Europe as a political entity aspiring to be more than a mere economic partnership of convenience, in close collaboration with the United States within the framework of the North Atlantic alliance.

Transforming the identity of Europe from a series of fundamentally commercial treaties, which largely dealt with the common agricultural policy until the 1980s, into a stronger, unitary political identity was considered an essential step to strengthening the alliance itself. This was the case even during a phase in which the Cold War was quickly losing stream, particularly after the March 1985 election of Mikhail Gorbachev as General Secretary of the Communist Party of the Soviet Union.

Second, the position of the Italian governing coalition was heavily influenced by the attitude towards Europe of its leader, Bettino Craxi. As the recognized leader of the Italian Socialist Party since 1976, but also as the (long-serving) vice-president of the Socialist International Union, he had in mind a clear concept of European identity that differed sharply from prevailing ideas of the 1960s and 1970s. Those decades had been characterized by the absence of a real geopolitical identity and by an evident economic subalternity to the United States, including in the sphere of foreign affairs (Varsori 2023).
The Europe that the socialist leader had in mind – and had frequently emphasized since the beginning of his political career and even when he was charged with forming his first government as prime minister in 1983 – involved real political integration, with coordination among member states' monetary, fiscal, economic and foreign policies and open to enlargement to new members. Last but not least, it would be able to play a hegemonic, stabilizing role on the international stage (Pasquinucci 2024: 74), particularly in the southern Mediterranean (Ceraso 2022). This vision was surely, in Craxi's mind, close to becoming a reality when he welcomed the members of the European Council in Milan – most of whom largely shared his view of a Europe that was "socialist and social democratic" (Pasquinucci 2022; 2024: 71). Of course, as the Italian prime minister, Italy was to play a major role in this process of "transformation" of Europe. Indeed, during the 1980s, the country was enjoying a radical transformation of its international image and standing.
A third factor playing an instrumental role in Milan's events was the fact that Craxi not only supported a less bureaucratic and "nationalist" vision of the European Community but also led a country that, since the beginning of the decade, had been enjoying a revitalized image on the international stage. This is a particularly relevant, albeit often overlooked, aspect of the whole story. In the mid-1980s, at the core of the EC's engine was undisputed joint leadership by an axis formed by France and Germany. This was cemented

by the close relationship between the two countries' respective leaders, Françoise Mitterrand and Helmut Kohl. They shared, sometimes with alternate levels of enthusiasm and commitment, the idea of moving a step forward in strengthening European identity. They envisaged increasing the level of European integration in terms of trade as well as promoting better financial and monetary coordination, while progressively removing physical and legal barriers within the Community's borders.

These common feelings between the two leaders explain, for instance, how easily Mitterrand convinced the German Chancellor to appoint Jacques Delors as president of the Commission, with the task of drafting a program of integration that would gradually lead to the Maastricht Treaty some years later. Such a goal was endorsed by some of the leaders of the ten countries at that time forming the Community, but not by all of them. Among the leading economies particularly adverse to this idea of progress in the process of political integration was the United Kingdom. Meanwhile, other smaller economies either supported the Franco-German view, or like Greece, basically prioritized their national interests in order to achieve the maximum possible advantages from economic integration.

All the same, since the beginning of the 1980s, Italy's weight and influence within the Community had been rapidly changing. No longer a "Cinderella" (Varsori 2010), Italy was showing signs of vitality, and not just in mere economic terms. The country had almost fully recovered from the stagnation of the 1970s, which had tormented it with stagflation, and above all, with political and social instability. This culminated in years of violent tensions exacerbated by threats from left-wing and right-wing terrorist organizations – the "Anni di Piombo" (or "Years of Lead").

During the 1980s, Italy was a rather different country. It had returned to a level of economic prosperity close to that experienced during the post-war "economic miracle." Its GDP per capita was similar to that of the United Kingdom and just slightly below that of France and Germany. The trade deficit was diminishing, largely thanks to the success of "Made in Italy" products from industrial districts, which had penetrated global markets. Italian capitalism was based on a mix of firms. On the one hand, there were large firms (though relatively small by international standards) that were either privately-owned or state-controlled and sometimes competitive even if plagued by inefficiencies. On the other hand, there was a vast ocean of small and sometimes very small firms. Historically, these firms were clustered in territories that gave rise to models of "dispersed factories", which were able to produce sophisticated goods for households and customers at a reasonable cost, but which were above all highly stylish and appealing to international consumers.

During the 1980s, Italy's "industrial districts" were able to successfully enter the global market and to embody a model of capitalism that effectively integrated manufacturing activity and fostered social cohesion. Stagflation was a distant memory; inflation had passed from a peak of 21% in 1980 to slightly more than 4% by 1985, in a context of declining unemployment. Public debt was higher than in other large European economies and was still growing, even if it was still distant from the psychological threshold of 100% of GDP; that threshold would not be reached until later, at the beginning of the 1990s.

Thus, the country hosting the Council at the end of its presidency term was by then a widely respected, credible and reliable member of the Community. It was (for the moment) economically solid and politically much more stable than it been in the past. It was also thriving, at least in some areas (namely, the north-western regions that had traditionally been the cradle of the country's industrial prosperity. However, thanks to the "light" industrialization model of the industrial districts, the north-eastern and central regions were experiencing economic growth. This contributed to reducing the country's structural economic divide between the north and the south.

Conclusions: Breaking the Deadlock

Overall, this rapid and successful economic recovery and relative political stability gave Italy a determinant role in supporting the ambition of those pushing for a more politically integrated Europe, which was less focused on managing marginal bureaucratic issues like the omnipresent common agricultural policy. Indeed, the goal was to develop a comprehensive economic and political union that was characterized by more than just undisputed geoeconomic "leadership", and which was ready to assume an active role in international affairs. As analyzed above, the country's political leadership had endorsed this aspiration for many years. The approach to achieving more effective integration implied, by definition, a process of containing the national interests of individual countries in favor of expanding the powers of the European Council, Parliament, and Commission. Ultimately, this would mean increasing the Community's political influence relative to member states. At the Milan meeting, the diverging views about the future of Europe – its identity as a common trading area or as a more cohesive bloc – were bound to clash strongly, given the fact that the meeting was intended to consider various proposals for the reform of the European institutions.

The review of the European Commission's White Paper (Delors Report) on completion of the internal market went quite well: the ten members endorsed its recommendations without any particular objection. In the end, the White Paper's aim was chiefly to streamline the process of integration and to progressively remove the remaining barriers to the free movement of goods, capital and people.

As might have been expected, the real clash was to take place over another, more substantial structural issue contained in the report of the Dooge Committee. The discussion about institutional reforms and the conversion of the communities that actually formed the EC into a European Union (something much closer to a political entity than to an area of economic cooperation) exacerbated national divergences. In particular, Denmark and the United Kingdom were stubbornly against revising the EC Treaties and strengthening the common institutions.

This was the moment when the Italian Presidency leveraged its political weight and reputation and proposed, based on Article 236 of the Rome Treaty, an IGC to revise the Treaties themselves. The proposal was put to a vote – which was highly exceptional given that while majority voting was envisaged in the Treaties, in effect all the relevant decisions were taken after reaching a consensus. Seven of the ten member states (Belgium, France, Germany, Ireland, Italy, Luxembourg and the Netherlands) voted in favor of the IGC, which was also endorsed by the European Parliament and the Commission.
The IGC took place on September 9, 1985, with the participation of all the member states, including Spain and Portugal, whose accession to the Community was scheduled for January 1, 1986. The conference was

instrumental in establishing the Single European Act, which in turn laid the foundation for a deep transformation of the political identity of the European institutions and of the nature of the Community itself, culminating in the Maastricht Treaty of 1992.

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