

## **SECTION IV: HISTORICAL ISSUES**

### **Margaret Thatcher and the EU**

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Margaret Thatcher has been one of the most influential politicians in the European building process. Many people still share her ideas today and her participation in such issues as the Single European Act or the solution of the British question has consequences concerning our lives. So the reason to discuss this subject is not just to explain her attitude towards Europe and the EU, as that is already well known, but to explain the context of her decisions and especially to explain the consequences of her actions and ideas in the current European Union.

Thatcher was continuously a champion of the euro skeptics, a defender of national sovereignty and the independence of the EU member states from the European institutions. Her basic idea of Europe was related to loyalty and the transfer of this loyalty from the national to the European level. She considered the EU a utopia that could endanger our societies, our liberties, and our ways of life. Thatcher thought that centuries of history had made the nation-states the natural recipient of popular loyalty. The natural defender of people's liberties was the State, and it would be unnatural to transfer that loyalty to an artificial upper level created in the European Communities by civil servants and irresponsible dreamers. The EU was a clear attack on federalist and neo functionalist roles in the European integration. She supported the inter governmentalist as the only responsible way to build a lasting Europe. Almost the same approach as Charles de Gaulle, but Thatcher, like the French president, was involved in Europe, and neither of them retreated their countries from the European Communities. Both were conscious of the benefits for their countries as members of the EC, and neither of them wanted to destroy the European building process. They just wanted to redirect its path from a supranational movement to national cooperation.

All of the EU is divided into two main parts in this essay, the first being an analysis of the main political events related with Thatcher and the European Communities, and the second an examination of Thatcher's ideas and their influence in Europe nowadays.

## **1. FACTS ABOUT THATCHER**

Margaret Thatcher was born in October, 1925, in Grantham, a small town in Eastern England. Her childhood passed in a small and religious community that can partially explain her conservative approach. During these years the United Kingdom was still one of the main world powers with colonies all over the world. By 1922 the British Empire held sway over a population of about 458 million people, one quarter of the world's population; more than 38 countries were included in this Empire (Levine, 2007). Knowing her thinking during her childhood that her country was the biggest in the world may make it easier to understand her proud and nationalistic approach.

During the Second World War Thatcher studied chemistry at Oxford, where she became president of the student Conservative Association at Oxford, linking her life to this political party for good. In the 1950's she twice ran unsuccessfully for Parliament and finally in the third attempt, in 1959, was elected. She was given junior office in the administration of Harold Macmillan between 1961 and 1964. The next conservative government led by Edward Heath in 1970 gave a more important position to Thatcher: Education Secretary, obtaining cabinet rank.

Edward Heath and the conservatives were defeated in the elections of 1974, and Thatcher, a year later, became the leader of the conservative party. She was the first woman ever to lead a western European political party in a major state. Some people thought of her as just a temporary substitute, a bridge towards a new leader, but she reinforced her position during the following years and won the next parliamentary elections in the United Kingdom, becoming the first woman Prime Minister of the UK.

Her first term, 1979-1983, was strongly influenced by the economic crisis and its solution in the UK. Another strong point was The Falklands War, winning her the respect of many Britons. The second term, 1983-1987, was influenced by a huge strike organized by the British Trade Unions that were defeated, reinforcing Thatcher's economic reforms and determination. Many

reforms of this time tried to achieve a more privatized economy and to reduce the role of the State. She sold state assets – privatization was looking for a more liberal economic system and set a precedent that was followed in many other countries of the world. The Irish question and the IRA were another important issue in the domestic agenda; Thatcher was even subjected to an attack in October 1984. The third term, 1987-1990, meant more reforms, especially in education, taxation, and the health system. The end of the so-called cold war was also a milestone of those years.

Tough behavior, too strong and personal a leadership style, and ideas about Europe lead to an internal revolution in the conservative party, substituting Thatcher with John Major in November 1990 (Thatcher, 1995). After her premiership she was a member of the Parliament and made important interventions concerning Bosnia and Maastricht, until 2002 when she officially retired from public life.

### **1.1. Margaret Thatcher's contributions to the EC**

The relations between the United Kingdom and the European building process during the period from the end to the Second World War were problematic. In the famous speech of Winston Churchill in 1946 in Zurich, the position of the UK was to support European integration, especially between Germany and France, since it was a solid way to avoid future wars on the continent (Jenkins, 2002). According to him, the UK should have been a friend of European integration, but never a part of it. The UK had its own place in the international world beside the world powers, the USA and the USSR. This idea soon proved wrong because of the independence of the colonies, the economic crisis, and the lack of resources to keep Britain at the top of the international arena (Brendon, 2007).

During the negotiations of the European Coal and Steel Community, the UK, as one of the main producers of both, participated in the process, but withdrew when the supranational power of the Community was defined. The situation was repeated in the elaboration of the Treaty of Rome and the creation of the Common Market; again the supranational character of the new community made the UK pull out (Young, 1993). The British then tried to promote a new organization based on a free trade area without any supranational power, based in governmental agreements, and indeed found different partners in Europe. In 1959 the Treaty of Stockholm was signed,

and the European Free Trade Association was founded, entailing a free trade area in industrial goods, and excluding agricultural production between the United Kingdom, Denmark, Sweden, Norway, Portugal, Austria, Ireland, and Switzerland.

Still, the persistence of the economic problems in the UK were not solved by the EFTA, and the spectacular growth rates of the European Communities convinced the UK to apply for full membership. Twice, in 1963 and in 1967, its petition was rejected for different reasons. These were mainly the development of the Common Agricultural Policy, the special relation between the USA and the UK, and the fears the French had of losing their predominance in the Communities. Finally, in 1973 the United Kingdom plus Denmark and Ireland became full members of the European Communities. The negotiations were followed by the regular procedures: the candidates had to accept the whole Community, with all its policies, institutions, treaties, and so on (Booker and North, 2003).

## **1.2. The Common Agricultural Policy and the British rebate**

After WW II Europe was destroyed and many countries decided to subsidize their farming sector in order to avoid famines and keep the social peace, the cities were not able to provide houses and jobs to a massive immigration from the countryside. The effects were positive as production increased and these European countries became independent from the imports of third countries. But it brought side effects, namely overproduction and financial problems that came with the level of subsidies that were increasing hand in hand with production and with higher prices for consumers.

The situation was out of control, particularly in France, where 25% of labour was concentrated in the countryside, and the state was close to the bankruptcy. Once de Gaulle ended the conflict in Algeria, he said that the main problem of France was its agricultural sector. His plan to solve the problem was through the European Communities, using European money to pay the subsidies, and using the European market for the surplus created by the over production that was the consequence of the costly subsidies (Ramiro Trotino, 2008).

The CAP was approved in the Treaty of Rome, but only its general principles; its working system was delayed for many years, until de Gaulle's

lobby forced the other members to accept the agricultural policy. As mentioned, de Gaulle did not want the UK to join the EC until the CAP was already approved, because during the negotiations the British would have decreased the ramifications of this policy as it was against their interest. Once the CAP was approved, the British had no option other than to accept it, because when any country joins the EU, it has to accept all the communitarian policies, not just some.

Once it started working, the system was based on a common customs with high duties for external production, common market rules, market organizations for different products benefiting continental production (French agriculture), monetary payments to the farmers linked to their production, plus other regulations.

On the other hand, the British had decided previously to opt for a different model: cheap imports mainly from its colonies such as Australia, Canada, or South Africa were liberating the work force from the countryside to be used in its industries (North, 2001). The consequences were cheap imports, no financial cost for the state, and low prices for consumers. The main side effect was reduction of the British farming sector to a minimal expression.

At the time the UK joined the European Communities, the British government really thought that the benefits of its actions were going to be greater than the problems, but they did not take the CAP into consideration enough. The problem was clear: the European Communities had their own incomes, a percent of the VAT collected in all the member states. It was not that the states were given some part of the VAT collected by the states; it was that the states collected the EU money and transferred it to the European institutions. After, according to the European Budget, the EC spent its money according to its policies, it transferred the money back to the states via the European policies.

The richer states have a higher volume of VAT and pay more, and more developed countries get back less money via European policies, such as the Cohesion Fund or the Development Fund. But they get more income via the Single Market in the sense that as they are more developed, their companies are more efficient, more competitive, and get bigger profits in a common market without barriers (Young, 1993).

The problem of the UK was that previously the CAP represented more than 80% of the European Budget, which means that most of the European money was transferred back to the states via <sup>the</sup> CAP, but as the UK had a minimal agricultural sector, it did not receive so much from Brussels. On the other hand, the British imported most of their food and these transactions were taxed with VAT, which in proportion made the VAT in the UK higher than in other European countries producing agricultural goods, increasing the gap between the money the UK paid to the EC and what Brussels spent in the UK via European policies. As the British economy was not in its best shape either, the UK did not make up the gap through its private companies in the Single Market, as the British government that negotiated the accession to the EC had thought.

This was one of the problems, among others, especially Labour's general election manifest of October 1974, which committed Labourists to allow people the opportunity to decide whether Britain should stay in the Common Market on renegotiated terms or leave it entirely. Those made the British government call for a referendum in 1975 to ask Britons about the membership in the European Communities. The government at this time was lead by the Labour party, and in its campaign supporting the permanence of the country in the EC, Margaret Thatcher, as the new leader of the Conservative party, supported them. Sixty-seven percent of the votes supported the permanence of the UK in the European Communities. The renegotiation of the terms of the membership was mainly the role of the CAP and the British payments. Harold Wilson, the Prime Minister, got some reductions on the British payments (<http://www.britannia.com/gov/primes/prime52.html>), but the change was minimal and the problem was still there.

Margaret Thatcher became Prime Minister and wanted to change this situation, arguing that the UK was spending too much money in the EC and getting back too little. She put this issue at the top of the European Council agenda. Many of those meetings, attended by the heads of the member states' governments, faced difficulties because of the stubborn behavior of Thatcher and her personal confrontation with the German leader Helmut Kohl and the French Francois Mitterrand.

The president of the European Council, who is the president or Prime Minister of the state that holds the presidency of the European Communities, sets the agenda of the meetings. Though the British rebate

was often not included, Thatcher insisted on discussing it, even threatening to withdraw her country from the European Communities if the situation was not solved (Nugent, 1999). The words of Helmut Kohl are a good example of these difficulties: “The British prime minister, who had completely isolated herself with her position, temporarily lost her nerves and completely lost her temper with me. She argued that Germany had to support Britain because British troops were stationed here.”  
(<http://news.bbc.co.uk/2/hi/europe/4403002.stm>)

After many years of struggling she obtained the reform, thanks to her determination. The system was based on the amount by which UK payments into the EC exceeded EC expenditure returning to the UK, and 2/3 of this money would be given back to the British government, making 2/3 smaller the net contribution of the UK to the European Communities. It means that the UK still pays more than it gets, but it gets a reduction of 2/3 of its net contribution, nowadays around 5.5 billion Euros. The problem in this agreement was the reduction of the European Budget, because the EC were going to lose the money sent back to the UK. The discussions were focused on the refusal of the German government, one of the main net contributors to the EU finances, to pay more. Finally an agreement was reached, and all the member states of the EU each year pay the British rebate, in a complicated system that makes France the biggest contributor to the rebate, because France is also the biggest beneficiary from the CAP (Swann, 1970).

This whole system was the work of Margaret Thatcher, and all of us are facing its consequences, because nowadays the system is still functioning, as Thatcher included in the agreement that it can only be changed unanimously. It means that nobody can force the UK to change the system if they do not want.

The problem nowadays is that the CAP is just 45% of the European budget, at that time it was 80%, and with the last enlargement and the economic growth, the UK is no longer a less rich country in the Community. The UK was the third poorest member of the 10 in Thatcher's time, but by now its economic growth and the last enlargements have changed this situation, locating Britain among the richest members of the Community. Also the increased competitiveness of its companies provides higher benefits for the British State.

### **1.3. The Single European Act**

The Treaty signed in 1986 was the first profound and wide-ranging constitutional reform of the EU since the 1950s. The SEA introduced measures aimed at achieving an internal market plus institutional changes related to these, such as a generalisation of qualified majority voting and a cooperation procedure involving the European Parliament. It also provided a legal format for European Political Cooperation. Margaret Thatcher's idea was to have a real single market working in the European Communities (Thatcher, 1995) because there were still many barriers to free trade between the states. What she did not think about were the consequences or her actions in terms of European integration, because the increased integration of the European market led to the common currency, and the minor side effects as qualified majority and more power to the EU were afterwards major changes towards the procurement of the European State.

It is surprising that Thatcher agreed to these changes, even when she got the British rebate, a minor prize for the loss of sovereignty of the British Parliament, the legitimate source of power for her.

An underestimation of the cost brought about by this treaty, or an overestimation of her own power and ideas can explain this big mistake of Thatcher's betraying her own political beliefs. It can also be that she thought of her position as the British national position, but the subsequent premiers had other approaches and did not use the possibilities to slow down integration. As we can see later in parliament member Thatcher's complaints about the Treaty of Maastricht and the common currency, facts unthinkable without the Single European Act, Thatcher would have used them for sure. Anyway, even today there are members in the British parliament who follow the nationalistic approach of Thatcher in terms of Europe, and Britain's joining the common currency system is not still clear. Maybe this process could speed up with the current economic crisis.

### **1.4. The German Reunification**

The end of the cold war meant the possibility of reuniting Germany and problems inside the European Union because of a bigger and stronger Germany, breaking the balance of power between the main members of the organization. Margaret Thatcher had fears of a German power renaissance, and its domination of Europe, so she opposed the reunification



(<http://news.bbc.co.uk/2/hi/europe/4403002.stm>). Her ally in this issue was Françoise Mitterrand, a former enemy. Helmut Kohl convinced the French leader of the benefits of bringing Germany closer to the European Communities, thus avoiding the problems of a strong Germany outside the EC, rather, having the country inside it, controlled by the European institutions and the qualified majority voting system. According to his system, France and Germany have the same votes in the European Council, no matter that reunited Germany is bigger and more populous than France.

Thatcher was alone when United States blessed reuniting Germany. She could not prevent it's happening, losing her last main battle in office.

Today we can see that the whole approach of Thatcher was wrong because it was based on a false premise of a repetition of the German economic miracle after WW II. German reunification created many problems for the German State in many fields: economy, society, and politics. The differences between West and East Germany are still big and real reunification, in terms of equal development will need much more time.

On the other hand, the agreement between Mitterrand and Kohl to tie Germany closer to the European Union in order to avoid a strong and independent German power has been working perfectly. These facts show the mistakes of Thatcher's approach to important European issues.

## **2. IDEAS OF MARGARET THATCHER ABOUT THE EUROPEAN UNION**

In the following section, the main ideas of Margaret Thatcher about the European building process have been taken completely from a speech of the British Premier at the College of Europe in Bruges, Belgium, on 20 September 1988, a document highly recommended: see <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=107332>. They have then been completed by additions and explanations.

### **2.1. Europe and the EU**

Margaret Thatcher thought that Europe was much more than the European Union and complained about the identification of both. She complained

about the adjective antieuropean for the people who do not support European Integration following the model of the European Union, mainly because Europe is a wider concept, and because another kind of Europe is also possible. According to Thatcher, Europe is history, religion, culture, language, and politics.

It is history because Europeans have had a similar historical development, influencing each other, having similar goals and similar threats, growing together, and spreading all over the world the ideas of Europe.

It is religion because of the Christian roots of European society, because once Europe was united by a religious link, religion also transferred to Europe the ancient wisdom of Greece and Rome, and especially because of the Christian recognition of the unique and spiritual nature of the individual. On the other hand, this affirmation is polemic in the frame of the rejected European Constitution and the intention of some countries, especially Poland, to include in the preamble of it a reference to the Christian roots of Europe (<http://orthodoxeurope.org/page/4/11.aspx>), and the supporters of secularism in Europe, plus the possible enlargement of the EU to Muslim countries like Turkey. The debate is not about the Christian roots of Europe, because that is an historical fact, but about its influence nowadays in politics.

It is culture because Thatcher spoke about European cultural movements that spread similar ideas and similar tastes all over the continent. It is clear that this idea of a European culture is not homogeneous, but it is real.

It is language because even though Europe has many different languages, most of them come from the same family, the Indo-European, with roots in Anatolia or Central Asia, divided into five main groups: Baltic, Celtic, Germanic, Romance, and Slavonic, plus other languages like Finno-Ugrian, Maltese, and Basque that belong to other families. Anyway, in this diversity we find European influences that show our common roots, like Latin, once a common language for millions of people living in the Roman Empire. Many European languages have words derived from this language, or French, or English, exemplified by the adoption of English words to the vocabulary of European languages that follow different patterns. There is a cross-influence among Europeans that can be seen in the languages.

It is politics because the French Revolution, the development of nation states, the concept of democracy, are mainly European ideas developed not just in one country, but also all over the continent. Napoleon spread the ideas of the French Revolution across Europe with his wars, and even though he lost against an alliance of European powers, he won the fight of the ideas, changing Europe for always. The rise of the nation state is a European creation, and with the expansion of Europe all over the world, the idea was adopted by other states; even the concept of a state is European. Many countries in Europe contributed to the creation of these political concepts and structures that nowadays seem universal.

According to Thatcher, the idea of Europe rests on these five pillars, much wider than the concept of the European Union and its building project, and being participant in these pillars means that you are part of Europe, no matter if you support the EU or you are against it.

To prove it, she spoke about the links of the UK and the rest of Europe. Celts, Saxons, and Danes, ancestors of the current British, came from Europe, just as did the Normans, the religion, the rule of law, etc. She also thinks that the commitment of the UK to Europe is clear with the numerous wars Britain has fought in Europe. Thatcher emphasized the role played by United Kingdom to protect freedom in Europe against different powers that tried to conquer the continent and unite it under one sole power. Napoleon and his wars in Europe, the First World War, and the Second World War are examples of her idea. These wars devastated Europe and were won thanks to, among other factors, the help and the sacrifice of the British. Of course in this matter Margaret Thatcher thinks about the role of UK as a determinate fact, being the British nationalist she is, but no one can deny the involvement of the UK as a main actor in European affairs.

This idea of Thatcher's about the usurpation of the concept of Europe by the European Union is very clear, and was used to defend herself from the attacks of the integration supporters against her policies towards the EU, her strategy. But it also shows the manipulation on the part of the European Union supporters, calling the followers of other ways of integration, cooperation, or just nationalism, anti-Europeans, when they are just against a certain model of integration called the European Union.

## 2.2. The Cold War, the USA, and the European Union

The ideas of Margaret Thatcher about this topic clarify her position in the cold war, her alignment with Ronald Reagan, president of the USA, and her intransigent position towards the USSR. The Prime Minister of the UK declared that the European Commission was one manifestation of the European identity, but was missing an important part of Europe that was behind the Iron Curtain. On numerous occasions Thatcher made it clear that Europe had been divided by force, against the people who accepted the *status quo* of the cold war and thought of Europe as Western Europe. Among others, Charles de Gaulle, president of France, who in his attempt to make France a third and independent power in the context of a battle between the USA and the Soviet Union, accepted the division of Europe as something natural in his obsession of distancing his country from the influence of the USA (Ramiro Troitino, 2008).

Anyway, the influence of the USA in the creation of the European Communities and in its development is clear. First of all, the American government and its intention to liberate West Germany from the occupation of the allies was the principal motor of the creation of the European Coal and Steel Community, the embryo of the current European Union. The USA wanted to have a strong Germany in the context of the cold war, as it would be, in case of war, the first battlefield against the Soviet Union. It was also deemed necessary to help Germany have an economic development strong enough to block the expansion of communism in Europe.<sup>1</sup> In order to achieve this, the USA decided to give full control of the Ruhr area, rich in coal and steel, the basic elements for producing weapons, to West Germany.

France was against that plan and wanted to repeat the system established after WW I, in order to gain an international rule over the Ruhr area; but after the WW II, its power decreased. As the intentions of the USA were clear, the French government had just one option by which to control this problematic area in some way – the creation of a European Community. It is important to mention that at this time of the XX Century the USA was the country that held the Soviet Union to its positions, keeping Western Europe, including France, free.

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<sup>1</sup> It is important to remember that after WW II there were many powerful communist parties in Western Europe, especially in France and in Italy.

So, these historical facts, plus the traditional link between the UK and the USA made Thatcher a supporter of collaboration with the Americans, and the understanding of both sides of the Atlantic. She went as far as calling the Americans the Europeans of the other side of the Atlantic, even proposing some kind of Community between Europe and the USA. It would have been difficult to have a Community between both powers in terms of equality, but the ideas of Thatcher were based more on a Free Trade Area and on political cooperation based on the same cultural values.

### **2.3. The European Community belongs to all its members**

Margaret Thatcher is against the domination of any state over the EU, or a privileged position of any country inside the Community. The influence of France in the Communities since their foundation was clear with such decisions as the CAP or the Lomme agreements. The first, the agricultural policy, was designed for France's benefit: 25% of the labor force was employed in the farming sector there at that moment, the state was near bankruptcy for the payment of huge subsidies to the farmers to keep the social peace and avoid the movement of workers from the countryside to the cities with the consequence of lack of work, social unrest, and communist movements. The second was an agreement between the European Communities and the former colonies of its members, with France being almost the only founding member state with former colonies. The concept was clear: to retain the influence of France in the world using the means of the European Communities because alone agreement would not be affordable.

According to Thatcher, this was inadmissible, all the members should have the same duties and the same rights; all of them should benefit from the European organization and all of them should have the same obligations.

This thought can be linked with the discussions that Thatcher had in the meetings of the European Council, especially with the representatives of France, with the intention to increase the benefits for the UK from the European Communities, equalizing them to the benefits France was getting.

It should be pointed out that since the creation of the European Communities until the present day, the influence of France has been decreasing with each enlargement, depending nowadays completely on its bilateral

cooperation with Germany. The more countries there are in the Union, the less important is the individual position of single members.

#### **2.4. The Community is not an end in itself**

Thatcher's ideas of the meaning of the organization are quite clear: the European Communities cannot become an objective of an intellectual concept, a tool for the creation of the European State. The European Union should be, according to her, just a practical means for the Europeans to enjoy prosperity and security in a world of powerful nations and groups of nations.

In this idea the practical approach of Thatcher is obvious – by improving the life of the people of Europe, the Communities have a sense of being and the way to do it is promoting individual initiative and enterprise, in other words: encouraging private actions and reducing the role of the state to a supervisor of the system. The other two pillars of her conception of development are trade and industry. Thatcher thinks that progress in Europe can just be achieved by promoting economy to increase the welfare of Europeans. The creation of any political entity should not be the main aim in the European building process, and Europe has to focus on providing Europeans enough and fair chances to develop their private initiative.

On the other hand there is the issue of security, a clear bet for a European Defense Community, but not of the kind of the 1950s when France proposed a Security Defense Community among the members of the European Communities with common institutions, but which was finally was rejected by the French parliament itself (<http://www.britannica.com/EBchecked/topic/196110/European-Defense-Community>).

Thatcher believes more in close cooperation between the European states and the USA, where no common institutions could be found, and where the decision-making would be unanimity or consensus in a way to protect both Europe from external threats and national sovereignty from international institutions. Security should also be a way to protect independent Europe from rising powers like China, India, or Russia, a way to have a say in the international world and enough muscle to back the European decisions.

## **2.5. National power against supranational constructions**

Margaret Thatcher was assured that there are not substitutes to nation states, and hence, Europe should be built upon the union of the European states, not on the concentration of power in the European institutions. This is a clear attack on other theories of integration, mainly federalism and neo-functionalism, and a support to intergovernmental cooperation. The three models of integration have the same targets: to avoid wars in Europe and create a peaceful and harmonious social system, but they differ in the way in which to do it. Federalism and neo-functionalism are based on the creation of European institutions that will dominate over nation states, because the latter have proved being ineffective at keeping peace and have not been able to create an international structure to keep away wars and miseries. That is because the essence of a nation is built on the differences between people, emphasizing diversity instead of the common needs of people. In order to achieve a society where people can live together and live peacefully, it is necessary to transfer the loyalty of the people of Europe from the national level to the European level.

At this point, federalism and neo-functionalism split. According to Kant and his peace system, federalism is based on an expanding federation against wars and on a close link with the people. A federal government should have some key policies, such as defense, economy, external relations, and constitution. On a European level, the supporters of federalism have a big bang approach: fast integration with fast creation of the federal institutions will lead to a federal state. On the other hand, for the European federalists, for example Spinelli, the central institution of the European federation should be the European Parliament. Hence the importance of the European elections for the federalists – the people of Europe are the ones to choose their representatives in a European election. In other words, the people have the sovereignty, not the national states, and voting in European Parliament elections, they are transferring that sovereignty from the national to the European level. According to these ideas it is clear that the European Parliament should be the main and most powerful institution in the European Union.

The supporters of neo-functionalism base their integration model differently:

- 1) Integrate areas of low politics, but ensure that these are key strategic economic sectors (coal and steel). So the high politics are less important, and the key sectors have to connect to fill needs and expectations (no big issues such as culture or defense).
- 2) Create a high authority to oversee integration and give it the ability to act as a sponsor of further integration.
- 3) Integration of particular sectors will create functional pressures for integration of related economic sectors. The spillover effect (ECSC → transport policy to move raw materials) needs the economies of the states to be reasonably interdependent prior to integration. Also, problems in one sector will lead to integration in other sectors (customs union → exchange rate coordination → cooperation in monetary policy → common currency). Spillover needs political activism to give a push to the right direction because states will bargain down to a lowest common denominator position.
- 4) Deeper integration is guided by social interest and transfer of loyalty because of searching for the most effective route to the fulfillment of the material interest of social groups. Emphasis is on actors and their interaction. Politics are considered a group-based activity, a competition between different groups for the input into decision-making. Consequently, the state is subject to the competing demands of these groups.
- 5) Deeper integration will create the need for further European institutions.
- 6) Political integration is a side effect of economic integration (Rosamond, 2000).

Thatcher, as de Gaulle before her, attacked both theories of integration and supported actively the third option, intergovernmentalism (Ramiro Troitino, 2008). This is based in agreements between states, good faith between them, common institutions as common forums, and always agreements, not even unanimity. It means that there is no voting system, there are just agreements or, in case there is any voting system, unanimity would be required.

One of her main objections to federalism and neo-functionalism is based on the nation state because she considers it the only institution that really has the loyalty of the people and therefore the only one that can keep such important values as freedom, safe.



Thatcher also thinks that a concentration of power in some kind of supranational institutions would be highly damaging and would jeopardize the targets we seek to achieve, because the real power of European integration is the sum of the strong points of all the nationalities that take part in the process. As each nation in Europe has its own traditions, customs, and identity, it would be a mistake to build Europe on a European identity that does not exist. It should be built on something real instead, as the nations, according to Thatcher, are.

She is against the ideas of the fathers of Europe as well, and mainly against the idea of the USA as a model of integration, because for her the history of the United States is different, the USA was built on emigrants from Europe, escaping intolerance and looking for the creation of a new society. This purpose helped to create a new unity and pride in being American. Such a process never developed in Europe, where unity and pride are still united with the nation state. Thatcher thinks that some kind of integration is needed in Europe in order to keep some predominant role in world affairs, and she wants Europeans working in the same direction, but through national pride in each country and parliamentary powers of the states, not through the European parliament or other European institutions. This raises the questions of the good faith of the states and its natural egoism in order to reach a solution for their own problems. Today some important countries of the EU are trying to face the world crisis with a nationalist approach, not respecting their compromise with the European Union, as the French government promoting the plan to help their car industry with the condition that on French soil there should not be any reduction of workers, affecting by that other countries of the Union, such as the Czech Republic or Slovakia.

However, Margaret Thatcher's speech at the College of Europe in Bruges, Belgium, has an illuminating title: A Family of Nations, expressing all her ideas about European integration.

## **2.6. Weak Bureaucracy**

Another point in Margaret Thatcher's critique against federalism and especially against neo-functionalism is the role of civil servants. Her idea of any kind of government, national or international, is based on supervision. The state is just a supervisor of the social and economic system; it

establishes the rules and looks after respecting them. The state merely provides the legal and social framework wherein society can develop by itself; the state provides the structure in which the people can develop and grow. In other words, the state is just giving the citizens the same chances to succeed, and after that, it is a matter of individual capacity to make use of these chances. So, the state provides security to private initiative. This idea of society is similar to the USA model, but not exactly the same, because Thatcher takes power from minor institutions, such as counties or city halls, to increase the weight of central government. This is something unthinkable in the USA, where the powers of the federal government and the states are more defined.

Anyway, the vision of Thatcher was very different from the model of the member states of the European Communities in the 1980s, especially with France and Germany, where the concept of state is very different. **There the state is not a supervising power, is a proper agent of the system.** The state tries to provide equality, not the same chances, which means a bigger state, more technocracy and bureaucracy, more enrolment in the system, reducing the role of private initiative and regulation of the market by itself, increasing the role of the state.

The institutions of the European Communities were small in the first Community, the ECSC, but afterwards implementation of new treaties and inclusion of more and more policies in the European level made the European institutions grow bigger. At the moment, it is difficult to state the exact number of people working for the EU, the European Commission, the European Parliament, the Court of Justice, etc. An approximate number could be around 150,000 people, if we count also the auxiliary institutions and companies that provide services to the EU. In reality it is not a huge number compared to the number of civil servants in the member states. In France, for example, there are millions, as in Germany. There are considerably fewer in the United Kingdom, more than half a million, but still more than in the EU. If we think that the EU is dealing on the European level, much wider than the national levels, the number of civil servants working in the European institutions does not look excessive. As Margaret Thatcher was decreasing the role of the regional institutions of the UK, and increasing the power of the central state, she did not like the idea of growing numbers in the European institutions; her domestic policies were boycotted on the European level. Her dislike of the European institutions was also

related to her idea of the central role of the national states in the European building process. It made no sense to give power to a European technocracy that was not elected by the European people, that did not respect the national positions, and that could become an alien power to the people by forcing and leading them towards the creation of an artificial political structure. So, according to Margaret Thatcher, the institutions of the European Union should be minimal, enough to assure that the common system is working, but never a substitute for the national institutions.

## **2.7. Policies of the European Union**

Margaret Thatcher had a clear idea about which policies should be European and which ones national. The main reason for having a European policy should be the benefit of the states, and hence the benefit of the people of Europe represented by the states. Thatcher thought that any ineffective policy or a policy benefiting just an unrepresentative part of the European states should be a deal on a national level. By that it is clear that she wanted a reform in the existing policies of the European Communities, mainly the Common Agricultural Policy, that was spending most of the money of the European Union budget, transferring the money just to some countries, and of course, not to United Kingdom. The situation was obvious to her – if this policy costs a lot of money to the European Union, and United Kingdom is one of the main contributors to the finances of the European organization getting no benefit from it, this policy is wrong. According to this idea, a reform is needed inside the EU and in its policies, reducing the policies included in the area of influence of the Communities, and giving back the sovereignty on these policies to the member states.

Thatcher's intentions were obvious and simple: European Union should not move towards the creation of a supranational state taking more and more policies from the member states, even if it was clear that were not effectively dealt in the European level, it should be just a structure to deal with the common wealth, in some policies where the common agreement between governments would provide a benefit for all of them, in other words, a pragmatic union, never political.

## 2.8. European Market

Margaret Thatcher wanted the European Communities to encourage enterprising, to improve the economical situation of its members. For doing so, the best option in her mind was giving the power to the market; it would develop itself in a more effective way than it would be highly regulated by the political institutions. Her ideas about the market have changed radically with the last economical crisis that we are still living, a crisis which still did not show us its main consequences, mainly a new economical system. However, from the time of Thatcher's governance until nowadays, her economical proposals have been the most popular and also important, especially after the collapse of the Soviet Union and the lack of alternatives to the extreme capitalism of our days.

Her proposal for the European Union was the creation of a real interior market in Europe, to improve the effectiveness of the common market approved with the Treaty of Rome, that in reality meant free trade area in industrial production and a highly regulated market in the agricultural production. What Thatcher wanted was free enterprising within a framework of European law, which according to her, was much better to speed up the growth of the European economy.

Thatcher's aim was clear – deregulate and remove the constraints on trade, most of them national. The barriers build up by the member states of the European Communities in order to protect the national economical agents were numerous, and were a brake to the economical development of Europe and its members. So, Thatcher was one of the promoters of a new Treaty, the Single European Act, thinking that it will lead to a minimum legal agenda to improve the economical integration and dismissing the political influence of the European institutions. It was a great miscalculation from Thatcher, because what she thought would be mainly economical became political. The Single Market approved in the Single European Act in 1986 meant great powers to the European institutions because almost all the economical fields were then under the supervision of the European institutions, that instead of deregulating and removing the barriers to trade, as Thatcher thought, made a deeper regulation of the market to finish the national distortions to it. Moreover, the Single European Act meant bigger responsibilities for the European Commission; something translated into a

huge increase of the civil servants working for the organization, something against the will and believes of Thatcher.

The latter consequence of the Single European Act and the creation of the Single Market supported by Margaret Thatcher has been the adoption of the common currency in most of the members of the European market. Thatcher in her great miscalculation did not pay attention to the consequences of her actions and the power of the European integration. The Single Market was created to eliminate barriers on trade between the member States of the European Communities; the same reason can be applied to the creation of the common currency – to eliminate any distortion in the market produced by the exchange rate of the European currencies, or the uncertainty of the future rate of the currencies. That reduces the trade between the holders of different currencies, among other reasons. So, the adoption of the European common currency is a consequence of the Single European Act, and the actions of Margaret Thatcher. The British premier after leaving office became a bitter enemy of the Euro and the inclusion of the British Pound to the European common currency. Now this is again something that could change with the ongoing crisis. Devaluation of the British Pound towards the Euro and its economical consequences could force the British to join the Euro and meaning end of the historical Pound.

Another consequence of the common currency, hated by Thatcher but a consequence of her polices, is the proclaimed end of the economical integration in Europe and the beginning of the political integration, yet another nightmare for Thatcher. The creation of the Euro meant a common currency for most of the members of the European Union, but the European market is not fully integrated, in some sense the market is still divided in national markets, with some economies more integrated than others. This means a great danger of an asymmetrical crisis, a crisis that could affect just a part of the market, not spreading to all the members of it. For example, if there would be a crisis in Germany, it would fast spread to the rest of the market, since the German economy is based on exports and is highly connected to the market of the main economies inside the European Union. This would conclude in the European Central Bank creating a monetary policy against the crisis. Other countries looking more inwards, with economies not so linked with the rest of Europe, for example Spain and its dependence on the real state market, would have a crisis not spreading to the rest of Europe. In such case the European Central Bank implements a

monetary policy for the majority of the system, not helping the Spanish economy, because doing so, it could damage the rest of the European economies. The problem is the loss of sovereignty in the monetary field of the member states of the euro zone, reducing the tools to be used in case of a national crisis.

Let's draw a parallel to this thought, the case of United States and the crisis of California in the 80's. Most of the military industry was located in the State of California, and was strongly affected by the end of the cold war, and the decrease of national expenditure in this field. The crisis was focused mainly in just one state, so the federal reserve could not use its monetary tools to help California, because lowering, for example, the interest rate of the dollar, would have meant bigger economical activity in California, but higher inflation in the rest of the country, and a high risk of overheating the American economy. Also, as the economical activity because of the crisis was lower in California, the incomes of this state were also lower. The solution to the crisis came from an influx of huge amounts of dollars from the federal government of the country.

Following the thought, the next logical step in the European building process would be creating some kind of political structure called federal government, or under any other denomination, avoiding the risks of an asymmetrical crisis in the Euro zone. Of course, the current crisis with its global influence will slow the integration down, but once it will be finished, we will have a new economical model in the whole world to avoid the excess done by the market, and it will be applied on the Euro zone under the power of the European institutions, speeding up the necessity of a European government to avoid asymmetrical crisis (Mulhearn, Howard, 2008).

It is clear that Thatcher did not want this when she supported the Single Market, or that the Euro and a possible European federal government is not only a consequence of the Single Market, but it can be considered a basic and necessary step in order to achieve the European political integration.

## **2.9. European Defense**

Margaret Thatcher thought that the European Communities should focus on two main points, economy, and security. It is linked to the fact that UK has one of the main armies of Europe, and its role in a future European Union

army would be predominant. Of course, according to the ideas of the British premier, was not desirable a defense Community in the terms presented by the French and the European Defense Community of the 50's, proposal with a Common Budget, Common Institutions and a European Army. This proposal was a consequence of the cold war, especially the Korean War and the military effort of USA. The Americans wanted to rearm West Germany to face a possible aggression from Soviet Union, but the rest of the European powers were still afraid that an independent German army could lead to a new conflict in Europe. So, France thought about a similar solution to the ECSC, integration, a common army that cannot be used against its members. The problem of the EDC was that the army is one of the main pillars of any state, and creating a common army with their partners of the ECSC arose the question of sovereignty. Who was going to command and decide the most delicate issues related with the European army? It was too dangerous to leave these decisions in the hands of an institution so independent as the High Authority, predecessor of the current European Commission. Italy proposed a new community to solve this problem, the European Political Community, with a detailed federal program, common institutions and coordinated foreign policy. Five members of the ECSC approved both communities, but France rejected it in her parliament when communists and conservatives voted together against the embryo of a European State.

The problem of the German army was solved with the foundation of the North Atlantic Treaty Organization, but the influence of USA to the organization was, and still is, enormous. It was good as far as Europe was military threatened by Soviet Union, but after the cold war, again European voices were calling for a European army in order to become more independent from USA.

Margaret Thatcher, a great supporter of a close alliance with USA, also thought of the idea of the European Army, but controlled, of course, by the national states – for her would have been unthinkable that someone in Brussels could send the British soldiers to fight, and maybe die in an external war. She proposed to develop the army through the Brussels Treaty, signed in 1948 between the Benelux, France and UK as an expansion of the Treaty of Dunkirk signed the previous year between France and UK. Originally that was a defense Treaty against a possible aggression of Germany, but as the cold war intensified, became an instrument against the

communism expanding. The parties of the Treaty decided to create the Western Union Defense Organization, its main institutions were a Committee at Prime Ministerial level and WU Combined Chiefs of Staff Committee, including all the national chiefs of staff, which would direct the operative organization, clearly an intergovernmental organization where collaboration substituted integration, as Thatcher liked. In 1954 other countries, West Germany and Italy joined the organization that was renamed as Western European Union. Its main institutions were the Council and the Assembly. The most powerful institution and leader of the organization was the Council of Ministers, assisted by Permanent Representatives Council on ambassadorial level. Again, we can see that no supranational institutions were created and the main role was played by the states. Social and cultural aspects of the Brussels Treaty were handed to the Council of Europe to avoid duplication of responsibilities within Europe. The Assembly was just an advisory organ, without any real power.

This organization was fully acceptable for Margaret Thatcher and her ideas, because developing the European army through the Western European Union (<http://www.weu.int/>) and not through the European Communities would prevent any control by any such supranational body as the European Commission, and would keep all this process under the supervision of the national states, plus the problem created by some members of the EU that are neutral and do not desire to develop any defense policy.

The difference between Thatcher and other supporters of a European army is the relation with NATO and USA; Thatcher imagined WEU as a completion to NATO, and never as a tool against the predominance of USA in the world.

Anyway, the idea of Thatcher is still alive, and the WEU is getting more attention from some states of Europe as the best way to develop the European army and the common defense.

## **2.10. Relation between Europe and USA**

Thatcher was a supporter of a close alliance between both sides of the Atlantic, between Europeans and the Europeans of the other side of the Atlantic. For her, one of the most important issues in the political agenda of the European Communities was keeping the traditional ties between USA



and Europe. She clearly disliked the idea of building Europe against the power of America in a futile attempt to become next world power. Margaret Thatcher was a loyal ally of Ronald Reagan, and supported fully his approach against Soviet Union, far from mild positions. She was thankful to the effort of USA defending Europe, and thought that the roots of the American values were European. So, the similarities between both areas are much more numerous than the differences.

Many Europeans, especially in Western Europe want to build Europe as a balance power to USA in the world, an alternative, complaining about the unilateralism of the American government, and a unipolar world where USA decides and Europe has no influence. France has been a champion of this vision, starting with de Gaulle until almost nowadays, with the politics developed by Jacques Chirac.

Meanwhile in Central and Eastern Europe, the views about America are different and friendlier. These differences were clear in the last war of Iraq, when many countries of West Europe, like France and Germany were against the war, and other new members of the EU supported the Americans. These differences can be explained by the fact that the new members of the EU achieved and trust their independence to USA, its victory over Soviet Union in the cold war and its current military muscle.

UK, before Thatcher and after her, has had a special relationship with USA, sharing language, cultural aspects, economical similarities, military cooperation and constant transfer of people and ideas between both sides of the Atlantic. It was even one of the reasons for Charles de Gaulle to reject twice the intention of UK to join the European Communities. Thatcher, following with this tradition supported and considered the creation of a European defense system essential, but working closely with USA, never as an antagonist. This debate is still alive in the European Union, and it seems that the hopes created by the new president of United States, Barack Obama, have developed a wave of support across Europe that can change if the American president does not fulfill the excessive expectations regarding him.

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