Key developments in the evolution of the European Union to the present day

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As the European Union contemplates further expansion, it is useful to take a step beck and look at how the EU has progressed from its humble beginnings as a coal and steel community, to the fully-fledged economic and political union that we see today. Graham Lalor traces its origins from post-World War II to the present day, and looks at the challenges it will have to face in the years to come.

Introduction

In the 65 years that have passed since the end of the Second World War, coordinated economic policy on certain matters and political agreement across European countries has resulted in the 27 member European Union that exists today. Where an economically devastated, politically weak and financially ruined continent once stood in 1945, the EU has now taken its place as the world's largest economy. Such a phenomenal turnaround in a relatively short space of time can be attributed to certain events of the past 65 years.

The initial steps towards integration and supranationality, experienced through the Organisation for European Economic Co-Operation (OEEC) and the Treaties of Paris and Rome; the fall of Communism and the quest for reform in the 1990s and 2000s; as well as the establishment of monetary union across numerous member states of the Union, have all helped contribute to the EU that exists today. The EU is at the forefront of global, political and economic affairs, alongside the modern day superpowers of the USA and China. Looking at each key development in its construction, one can better understand the path the Union has taken to the present day and the direction the EU may take in the future.

Foundation of the Union

By the end of September 1945, the continent of Europe resembled a shadow of its former self. Widespread death and destruction across Europe meant that the political, humanitarian and economic situation in Europe was dire. The realisation that the misguided approach taken after World War I had caused unrest in Germany meant there was now a new mindset present, determined to find a new ‘solution’ to the continuing violence in Europe. In order for peace to be assured and economic stability across Europe to prevail, both France and West Germany would have to work together in order to boost their respective economic growth.

The first ‘push’ towards economic cooperation came in the form of US financial aid, coordinated by then American Secretary of State George Marshall. The guidelines associated with this financial assistance forced European nations to work together for the first time since the end of conflict. The discussion on how United States’ ‘Marshall Aid’ was to be spent led to the formation of the OEEC in 1948, which eliminated several trade barriers and set up institutions to co-ordinate the economy on a continental level, advancing Europe’s economic integration. The moderate success of the OEEC reinforced the belief that liberalising trade and working together was the best way for Europe to prosper once again.

In 1950 the first seeds of deeper economic integration between European nations were sewn by France’s Foreign Minister of the time, Robert Schumann. Inspired by a blueprint devised by Jean Monnet, Schumann proposed a coal and steel community, which would provide a joint authority for the management of West German and French coal and steel production. He declared that the proposed European Coal and Steel Community (ECSC) would be “the first concrete foundation for a European federation which is so indispensable for the preservation of peace” (Schumann, 1950)[1].

The signing of the Treaty of Paris on 18 April 1951 by France, West Germany, Italy and the Benelux nations was the beginning of sectoral integration involving European nations and brought into existence supranational bodies that had law-making powers independent of member states’ governments (most notably the High Authority). The formation of the ECSC was not just beneficial on an economic level. Politically, it promoted Franco-German reconciliation just six years after the fall of Hitler’s Reich.

The initial success of the ECSC fuelled the desire of the ‘Six’ to enhance economic integration amongst one another. With the Soviet Union rapidly increasing in strength, both economically and militarily, European leaders realised they needed to strengthen relations beyond coal and steel, in order to reduce the likelihood of Soviet invasion. Following unsuccessful attempts at both a European

[1] http://europa.eu/abc/symbols/9-may/decl_en.htm

Defence Community and a European Political Community, a conference was held under the chairmanship of Belgian Foreign Minister, Paul-Henri Spaak, to examine the possibility of a deeper customs union and strengthened economic co-operation between the 'Six'. Indeed, Britain also associated itself with the early works of the Spaak Committee, but it withdrew from talks in October 1955, stating that a customs union would have meant an end to the system of Commonwealth preferences that were in place (Camps, 1965; Laffan, 2000). Many high-profile figures within the ECSC felt the UK were trying to disrupt proceedings at the conference - this being the first sign of a 'frosty' relationship that Britain would experience with the European Communities that arguably continues right up to the present day[2].

Five years on from the formation of the ECSC, the drafting and subsequent signing of the Treaties of Rome in March 1957 established the European Economic Community (EEC). Before 1957, the economies of the 'Six' had been separated by tariffs, quotas and other economic barriers. John Pinder (1998: 11) stated that "the tariff had been the great historic instrument of protection" and the removal of such barriers "was a truly radical project". Indeed, the overwhelming ambition and commitment undertaken by the 'Six' can be observed in Article 2 of the Treaty, which states:

> "It shall be the aim of the Community, by establishing a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increased stability, an accelerated raising of the standard of living and closer relations between its Member States."
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> - Article II, Treaty establishing the European Economic Community (EEC), 25 March 1957.

It is this groundbreaking declaration that formed the backbone of the EEC's economic mandate – a declaration that remains at the kernel of EU policy to the present day.

Fall of the USSR, Maastricht and subsequent reforms

[2] For a look at EU/UK relations since the Union's inception from a British perspective see: http://news.bbc.co.uk/hi/english/static/in_depth/uk/2001/uk_and_europe/default.stm

The early 1990s was a period of huge change for the continent of Europe. Within the confines of the European Community, the decade began with the introduction of the Treaty of Maastricht in 1992. The Maastricht Treaty represented the biggest commitment to increased economic cooperation since the Treaty of Rome in 1957. The Treaty replaced the EEC with the European Union (EU), and also introduced the notion of 'Three pillars' with regard to decision making for the first time. It strengthened co-operation on several fronts, in both economic and non-economic areas. The powers of the European Parliament were increased, the free movement of capital, initially stated in the Treaty of Rome, was secured and cooperation was strengthened in areas such as security and defence, criminal justice and immigration. Maastricht also created EU citizenship which, although largely symbolic in nature, contributed to a greater sense of unity amongst the people of the 12 member states. Also included in the treaty was, for the first time, a legal framework for monetary union between member states of the EU that would conclude on 1 January 2002 with the introduction of the euro as legal tender within participating nations.

However, the ratification process of Maastricht did not pass as smoothly as predicted. In June 1992, the Danish people rejected the Treaty with a 50.7 per cent majority. In addition to this, a French referendum on the Treaty in September 1992 was passed with a rather worrying '*petit oui*' of 51.1 per cent. In an attempt to restore confidence in the Treaty, the European Council performed some 'constitutional acrobatics' and offered the Danish exemptions in areas such as the euro, common defence and justice and home affairs. This appeared to undermine the commitment of the other fully co-operating EC states and seemed to give the impression to outsiders that the ambitions of the Treaty were being watered down (Nölling, 1993). Following a rather laborious ratification by the German government, the Maastricht Treaty came into effect in November 1993. Once ratified, the Treaty represented the biggest restructuring the EU had undergone since 1957. However, as John Gillingham (2003: 284) stated "the results left no one satisfied", it was this problem that left Maastricht at the heart of discussion in Europe over the next decade.

Coupled with the landmark measures introduced under Maastricht, the collapse of Communist rule in Central and Eastern Europe in the early 1990s undoubtedly altered the context in which the European Community would develop over the next decade and beyond. The Soviet state's collapse shifted the global political and economic landscape, and the EU then sought to take on a bigger role. In an attempt to leave the days of communism behind, the newly-freed countries of Central and Eastern Europe declared their desire to join the EU. Although initially hesitant, the EU, at a Council meeting in Copenhagen in June 1993, acknowledged the "courageous efforts undertaken by the associated countries to modernise their economies" which had "been weakened by 40 years of central planning" (European

Council, 1993: 13). By setting a timeframe for the accession of these newly independent states that would be completed on 1 May 2004, the EU gave the Central and Eastern European countries (and, indeed, themselves) time to adjust and reform.

The next decade within the EU would require reform of the relevant institutions, which would enable the Union to function efficiently in its' newly enlarged role (see *Figure 1*). The first attempt at this reform produced the Amsterdam Treaty (1997). This Treaty, along with other numerous issues, attempted to carry out the necessary enlargement-related reforms that had been suggested by the Westendorp Report of December 1995. Amsterdam was drafted, in order, to allow the successful functioning of a larger, more diverse EU. While unquestionably necessary, the rather paradoxical notion that Amsterdam wanted to unify Europe through 'diversification'[3] gave both the public and the politicians involved an idea of the difficulties waiting on the horizon. Although some of the failings of the Maastricht Treaty were rectified, the Treaty failed to implement most of the necessary enlargement-related reforms, namely Council of Ministers voting rules and the power and composition of both the Commission and the Parliament.

Year (1/1/….)	**Population**	**No. of EU Member States**
1992	347,408,000	12
1995	372,929,000	15
2004	460,334,000	25
2007	495,975,000	27

Figure 1: From Maastricht to Lisbon; growth in size of European Union and its population, 1992 – 2007
Source: Eurostat (2008)

The second attempt at these reforms came with the (somewhat difficult) ratification of the Nice Treaty in 2001. The reforms introduced were insufficient for the task at hand, and almost immediately after the Treaty's ratification, leaders agreed that more needed to be done. Despite the addition of ten more European states on 1 May 2004, the reforms necessary for this enlargement were still not completed. Out of the failure that was the attempt to introduce an EU Constitutional Treaty, came the framework for the 2007 EU Reform Treaty, commonly known as the Lisbon Treaty. The Lisbon Treaty sought to end the difficulties that had plagued EU negotiations since the early 1990s. The Treaty, which was finally ratified in December 2009, addresses the areas in which unanimity and qualified majority voting will exist in

[3] http://www.eumap.org/journal/features/2004/bigday/diversity/

much clearer terms, than laid out previously. It provides the EU with a more efficient way of conducting the day-to-day affairs of what is now a 27-member pan-European organisation and, amongst other things, brings to an end a period in the evolution of the EU that was dogged by reform negotiations and difficulties associated with enlargement.

Monetary union

Unquestionably the biggest development in the evolution of the Union over the past 65 years has been the creation of a single currency within the geographical boundaries of the EU. In response to the numerous financial shocks of the 1970s and the instability of the US dollar over this period, the European Monetary System (EMS) was formed in 1979 in an attempt to stabilise exchange rates and insulate the EEC from any further shocks. The notion of a single currency was seen as a logical complement to the EEC's vision for the Single Market.

In 1989, the idea of monetary union returned to the forefront of European Commission affairs with the publication of a committee report on the criteria needed for the adoption of a single currency. Chaired by Jacques Delors, the committee defined the crucial components necessary for monetary union to be successful (see *Figure 2*). With this criterion now established, work began on laying the foundations for the eventual integration of participating nations' currencies into one single currency – the euro.

	The 'Delorean' Criteria for Monetary Union
1	Total and irreversible convertibility of currencies
2	The complete liberalisation of capital transactions and full integration of banking and other financial markets
3	The elimination of margins of fluctuation and the irrevocable locking of exchange rate parities.

Figure 2: 'Delorean' Criteria for Monetary Union [4]

[4] *Source:* Committee for the study of economic monetary union (1989: 10-12). Section 2 -The Principal Features of Monetary Union.

Heavily influenced by the work of the Delors Committee, the Maastricht Treaty (1992) set out a clear timeframe for the adoption of the euro. It committed participating nations to fixing exchange and conversion rates, combined with the eventual transfer of monetary governance to a supranational European Central Bank (ECB). Measures such as these resulted in both Denmark and the UK opting out of the process of monetary union. It must be noted, that such a decision was a significant moment in the evolution of the European Union. For the first time, the notion of a ‘two-speed’ Europe was legally accepted – ten of the 12 members at the time pressed ahead with deeper economic integration, while Britain and Denmark remained outside.

The implementation of the Maastricht criteria led to the introduction of the euro on 1 January 1999, a landmark moment for the process of European integration. The existence of a large economic base, political stability within its region and an expected low rate of inflation, meant that the euro was being billed as a potential contender to the US dollar. Nobel Laureate Robert Mundell stated that the euro “will challenge the status of the dollar and alter the power configuration of the system” (Mundell, 2000: 57). The introduction of notes and coins into circulation on 1 January 2002 completed a process begun 30 years previous. The euro has enabled increased price transparency between markets within the EU; reduced transaction costs associated with intra-EU trade and provided participating nations’ economies with increased security against market shocks.

The recent accession of 12 new members into the EU has seen an expansion in the use of the euro, with Slovenia joining in 2007, followed by Cyprus and Malta in 2008 and most recently, Slovakia in 2009. Currently, the euro is used as legal tender by 329 million EU citizens (Eurostat, 2010); a figure which highlights the impact it has had on the landscape of Europe, both economically and socially. As several other members strive to achieve the economic criteria necessary to become part of the Eurozone, the area in which the euro is accepted as the unit of currency is expected to increase and with it, the degree of integration across the continent.

What does the future hold?

Since the signing of the Treaty of Paris (1951) by the ‘Six’, the EU has evolved into a tremendously powerful body encompassing 27 countries and approximately 500 million citizens. Upon the inception of the EEC in 1958, few could have foreseen such a remarkable development, in not only economic but also political, social and financial areas. With the ratification of the Lisbon Reform Treaty, the present day EU now has in place a President (Herman Van Rompuy) and a High Representative for Foreign Affairs (Baroness Catherine Ashton), further enhancing its appearance on the global stage as a unified entity. Although these positions are still in their infancy, both have already come under heavy criticism from economists and politicians alike (*The Economist*, 2010). It remains to be seen if their creation will have any lasting impact on the Union's affairs.

The EU that exists today, however, does have problems to address in the near future. With the growing presence of a 'two-speed' Union – the Eurozone and the EU-27 – the relevant bodies must ensure that a necessary level of cooperation is maintained between all member states. The inevitable 'greying' of the Union's population from 2015 onwards will also lead to a considerable shift in the demographic outlook of the region (Eurostat, 2008).

The Eurozone itself also faces tough decisions, with future economic growth looking decidedly uncertain, its dominance facing stiff opposition from the emerging Eastern European economies, and perhaps most strikingly of all, the emergence of a debt-ridden Greece as a weak link in the Eurozone framework. In order for the euro to continue to thrive, these difficult issues will need to be addressed in a way that is least harmful to the single currency's future success.

The possibility that the evolution of the Union has reached an 'upper bound' is, due to the huge diversification of cultures and ideologies within the 27 states, also very real. It will become increasingly difficult for the EU-27 to introduce further reforms on numerous issues, and with uncertainty present amongst certain member states over any future enlargement (particularly with regards to the divisive issue of Turkish membership), the European Union that has evolved over the course of the past 65 years may not experience such a rapid evolution in the years to come.

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