A History of the European Union

It is important to know the meaning and evolution of the European Union (EU), the main bargains of the process of European integration and the driving-forces of European integration. European integration has been called a bargaining process.

A basic timeline of the EU has to be understood. In 1947, the Marshall Plan calls for economic rehabilitation in Europe, the Coming form is announced and the Benelux Three is set up. In 1948, the Organization for European Economic Cooperation (OEEC) is set up. In 1949, the North Atlantic Treaty Organization (NATO) is signed and the statute of the Council of Europe is signed.

In 1950, the Schuman Plan is proposed by France and the European Coal and Steel Community (ECSC) is originated. In 1951, the ECSC is set up by the Treaty of Paris and the UK refuses to take part because it says that the best interests of its coal and steel industry would not be served by the agreement. In 1955, the Warsaw Pact is set up and the Messina Conference has the foreign ministers of the "Six" (France, FRG, Italy, the Benelux Three) propose further steps of integration. On March 24, 1957, the Treaty of Rome is signed by the "Six" and sets up a European Economic Community (EEC) and a European Atomic Energy Community (Euratom). The ECSC, EEC and Euratom are all efforts towards a closer union. In 1959, the European Free Trade Association (EFTA) is set up.

In 1961, Ireland, UK and Denmark request negotiations for EEC membership and there are also calls for a federalist united Europe with a European monetary reserve system as a step towards a single currency. In 1963, a Franco-German Treaty of Cooperation is signed. In 1965, the Merger Treaty establishes a single Council and Commission of the three European Communities of the EEC, Euratom and ECSC, and France leaves the EEC Council over opposition to majority voting and a crisis occurs in the Community and later ends with the Luxembourg Agreement in 1966. In 1967, the Merger Treaty of 1965 enters into force. In 1969, the Hague Summit has the completion, deepening and enlargement formula.

In 1970, the Werner Interim Report (Economic and Monetary Union – EMU) is given. In 1971, a Franco-German Summit has agreement on the EMU. In 1972, the "Snake" is set up, which links the EEC currencies. The UK, Ireland, Denmark and Norway all join the "Snake" and later sterling, the Italian lire and the French franc are forced out. The EEC's Paris Summit also agrees to the Werner Plan. In 1973, the first enlargement occurs as the UK, Ireland and Denmark join the EEC and creates the "Nine." France withdraws from the "Snake," Italy leaves the "Snake" and there was a failure to agree to regional policy. In 1974, France again leaves the "Snake," and a few months later rejoins it, and a Paris Summit calls for European Councils and also calls for the Tindemans effort on European Union Report. The Tindemans Report was later made at the end of 1975. In 1976, France again leaves the "Snake" and the council finally approves legislation for direct elections to the European Parliament (EP). In 1978, the Brussels Summit looks at economic problems and French President Giscard d'Estaing and German Chancellor Schmidt come up with the idea for a European Monetary System (EMS), and by now only the Deutsch mark and a couple of other currencies are left in the "Snake." In 1979, the EMS is set up and the Exchange Rate Mechanism (ERM) allows participating currencies to fluctuate only within fixed margins. The first direct elections to the EP occurred. Also in 1979, the European Currency Unit (ECU) is introduced and in 1981 it replaces European unit of account (u.a.) in the Community's general budget.

In 1981, Greece joins the Community and creates the "Ten." The EP vote commits it to "taking initiative" on European Union, and the French franc devaluation occurred. In 1984, the EP votes for a Draft Treaty on European Union. In 1985, the Delors Commission takes office and focuses on the commitment for an internal market, the Interim Dooge Report calls for a Intergovernmental Conference (IGC) and at the Luxembourg Summit the Single European Act (SEA) is agreed. In 1986, Spain and Portugal join to create the "Twelve." In 1987, the SEA finally comes into force. In 1988, the Delors Commission agrees on a Common Agricultural Policy (CAP), budget and finances. In 1989, the Second Delors Commission comes into power and the Delors Report outlines a three stage process for achieving Economic and Monetary Union (EMU) and meetings are held for the future of the European Free Trade Association (EFTA). Also on November 9, 1989, the Berlin Wall is breached.

In 1990, two IGCs were convened – EMU and political union. On October 3, Germany is unified. The Sterling joins the ERM of EMS. EMU stage one begins with the removal of European exchange rate controls. In 1991, the Maastricht European Council is held and the European Union Treaty is signed and is to be ratified by member states; the Maastricht European Council agrees to create single currency in 1999. In 1992, the Maastricht Treaty is signed and the UK secures opt-out from EMU stage 3, which is the introduction of the Euro in 11 EU states from January 1999. The British sterling leaves the ERM. In 1993, the Maastricht Treaty comes into force. In 1994, EMU stage two begins. The European Monetary Institute (EMI) is established as the forerunner to the European Central Bank (ECB). Member states commit themselves to working towards convergence of currency. In 1995, Austria, Finland and Sweden join the EU and the European Council settles on Euro as the name for the single currency. In 1996, an IGC opens at Turin. In 1998, the European Commission recommends 11 countries to participate in the first wave of monetary union, which are Austria, the Benelux Three, France, Finland, Germany, Ireland, Spain, Italy and Portugal. The 11 initial participants of EMU are formally agreed at a Brussels Summit. The executive board of the European Central Bank (ECB) is agreed upon and appointed. On January 1, 1999, the Euro comes into effect and the 11 currencies of the member states are now subdivisions of the Euro.

The Marshall Plan was a plan to have American economic aid to European nations which would come together to plan jointly their economic recovery. The Marshall plan's beginning was in the politics of European reconstruction. The U.S. interest was to secure the survival of democratic regimes in Europe and this was to be done by trying to solve the European balance of payments problems. This would assure the economic recovery of Europe and would have a non-military form of containment of the USSR.

Western Europe set up an Organization for European Economic Cooperation (OEEC) to handle the Marshall Plan, and the Soviet Union organized eastern Europe in the Comecon (Council for Mutual Economic Assistance), which had Soviet domination of the economies of eastern Europe. The Cold War had now begun.

The British and the Americans began merging their occupation zones for economic purposes. This action caused the Soviets to withdraw from the joint Allied Central Commission for Germany. In 1948, all three western occupying powers introduced a currency reform in their own zones. Marshall aid, which was available only to the western occupied zones, meant that the recovery of eastern Germany would not be integrated with that of western Europe.

In the late 1940s, some European governments were willing to hear plans for supra-national integration. The British opposed the development of what became a "Council of Europe," which was formally inaugurated in early 1949.

The Marshall Plan had been followed by a local defence arrangement when the UK, France and the Benelux Three signed the Brussels Treaty. In 1949, NATO was signed, which was the first Cold War agreement to link continents in its membership. Also in 1949, a new Germany emerged form the three western zones of occupation, the Federal Republic. Later a new German Democratic Republic was formed in the eastern zone.

Economic forces working for integration developed more rapidly than the political forces. Customs unions had already been created in 1948 between the Benelux Three, and between France and Italy (Francital).

The most important steps towards European economic integration came from a proposal about specific industries. This proposal was from the French foreign minister, Schuman. It was for the international organization and management of Europe's main industrial resource, the coal and steel production. France, Italy, the Benelux Three and West Germany signed an agreement to set up a European Coal and Steel Community (ECSC). Sandholtz and Zysman say that, "the fundamental objectives of the bargains underlying the ECSC and the expanded European Community were primarily two – the binding of German industry to the rest of Europe so as to make another war impossible and the restarting of economic growth in the region" (83). Coal and steel resources in western Europe were to be administered by a supra-national authority. This was to hopefully improve the market by removing tariff and technical barriers to integration and also hopefully to allow better management of fluctuations in coal and steel supply. Jean Monnet who was behind the French Planning Commission saw the ECSC as the first supranational organization comprising significant European integration.

Efforts were made to form a European Defence Community (EDC) from 1952 and 1954 to replace the Brussels Treaty arrangements and through it to officially accept West Germany's military position. In 1955, West Germany entered NATO. West Germany had joined the Brussels Treaty group, which was renamed Western European Union (WEU) in 1954.

The main power towards unity remained economic. In 1957, the European Atomic Community (Euratom) and the European Economic Community (EEC) came into existence and France, Germany, the Benelux Three and Italy joined in signing the Treaty of Rome. One of the first outcomes was a Customs Union. The Treaty of Rome provided for a system of Commissions controlling over a bureaucracy to watch the treaty and promote further integration to have a Council of Ministers as a decision-making authority, a Court of Justice and also a European Parliament with advisory powers.

The Treaty of Rome pressed countries forward that had not joined the EEC to set up a European Free Trade Association (EFTA). The drive towards greater integration in western Europe seemed to show that the time of war between western European countries, which originated in the beginning of the national state system were over.

Later a Common Agricultural Policy (CAP) was formed, which was to help farmers and peasants. Economic matters were of first importance in European integration. The OEEC of 1948 was joined by the Federal Republic of Germany, Spain and Finland before becoming the Organization of Economic Cooperation and Development (OECD) in 1961. The U.S. and Canada were members of it.

In 1961, East Germans put up the Berlin Wall to separate the Soviet and western zones of Berlin. In the late 1950s, the goal of Soviet foreign policy seemed to be of coexistence. In the late 1960s, people thought that socialism should be a goal to modernization. The per capita GDP of the Soviet Union at the end of the 1960s was behind that of most western European countries.

The welfare state came into being in the UK. Later the European Community (EC) came into existence by the merger of the ECSC, EEC and Euratom.

President de Gaulle of France wanted integration to be limited to political action based on agreement between independent states. De Gaulle saw the EEC as a way of protecting French economic interests. The German Chancellor Brandt and his coalition government did not abandon the goal of reunification and he wanted to make sure that the two Germany's did not move further apart.

In 1973, the OPEC oil crisis occurred. The OPEC countries depended on the export of one raw material to get foreign exchange to enhance their welfare. From October to December 1973, an OPEC oil price crisis occurred. OPEC had set the oil price without negotiations or bargaining. OPEC wanted to obtain a share of the revenues and oil prices increased in 1973. European governments had to deal with high inflation in 1973, balance of payment problems, and a coming recession, which in fact did occur. France and Germany had to deal with exchange problems. The oil crisis also set the beginning of high unemployment. The breakdown of the international monetary system led to devaluations of currencies.

Inflation could not be contained in the 1970s. The Bretton Woods system was a system of fixed, but adjustable exchange rates. It was a joint U.S./British economic system established for free world trade. Every currency was set to one exchange rate. The breakdown of the Bretton Woods system and the end of the gold standard marked the onset of fluctuating exchange rates and there was a period of floating currencies.

In 1973, the UK, Ireland and Denmark joined the EEC. In 1979, the first direct elections to the European Parliament were being held. Greece joined the Community in 1981 with Spain and Portugal joining in 1986. In 1986, the Single European Act (SEA) brought the first steps towards permitting majority voting instead of requiring unanimity for some matters. In 1987, the goals of a common European currency and monetary system were set. The SEA comes into force. It was settled that in 1992 there should be a single market across whose national borders goods, people, capital (money) and services were to move freely.

For the economies of western Europe, investment in heavy industrial and capital goods had produced some early growth. All eastern Europe was exposed to a few factors. One factor was a slow, but continuous growth of east-west trade in Europe in the 1970s and 1980s. Another factor was an increasing flow of information about non-communist countries through television (technology). All over eastern Europe it seemed to be understood now that communist governments had no legitimacy.

In November 1989, the breaching of the Berlin Wall occurred. The collapse of the Berlin Wall showed that there was no political will in the GDR to support communism, and that there was none to preserve the state either. In 1990, the process of reunification began with monetary, economic and social union of the two Germany's. On October 3, 1990, they were united politically under a new constitution and the former GDR acceded to the Federal Republic. The first elections to the Federal Parliament followed in December and Helmut Kohl became the first Chancellor of reunified Germany.

The Soviet economy was out of control and running down by 1989. In 1990, the Lithuanian parliament declared the annexation of 1939 invalid and reasserted the country's independence. Latvia and Estonia also claimed their independence. By the end of 1990, parliaments in nine of the Soviet republics had already declared they were sovereign or had asserted a measure of independence from the Union government. In August 1991, an attempt was made by conservatives to seize power by coup d'etat. The attempt failed. Gorbachev failed to bring about successful economic reform and failed at the nationalities issue. It looked as if the USSR was moving toward a civil war or disintegration. On December 8, 1991, Russian, Ukrainian and Belorussia leaders announced the end of the Soviet Union and the establishment of a new Commonwealth of Independent States (CIS).

The year 1992 was the date set in 1985 for the establishment of a single market. In 1991, at Maastricht, a new treaty was agreed on, which made arrangements for a single European market and a time period for full economic and monetary union (EMU) no later than 1999. The treaty gave citizenship of the European Union to the nationals of all member states and imposed on all members an obligation to impose certain basic standards in work practices and a few social benefits. The treaty also agreed on the principle of "subsidiarity," which was a word originating in Roman Catholic social teaching. The principle of "subsidiarity" attempted to limit the interference of the Commission or Brussels with the details of national administration. The Danish rejected Maastricht in 1992 in a referendum. McAllister says that, "Maastricht is like Janus. It faces both ways: towards inter governmentalism and towards some kind of federal vocation" (225).

The Treaty of European Union (TEU) was signed on February 7, 1992. It was not until November 1, 1993 that the Maastricht Treaty came into force and the European Union (EU) was officially born. In 1994, a common European Economic Area (EEA) came into being. In 1995, Austria, Finland and Sweden joined the EU. An Intergovernmental Conference (IGC) was held in Turin in 1996 to discuss various issues. Some smaller countries favoured an idea of reducing or eliminating the operation of national vetoes.

The problem of enlargement of the Union occurred. If monetary union failed and if enlargement did not occur, the EU would be in danger. The main issue of enlargement was who should be allowed and encouraged to join the EU.

Economic recession reminded every member of the EC of differences of economic strength between them. In every country, budgetary, fiscal and exchange problems came in the 1990s to weaken or destroy the power of their governments to keep up employment. France and Germany faced high and persistent levels of unemployment.

A common monetary system set up by France and Germany in 1987 had been turned in 1989 into a plan for a monetary union. This idea set up with Delors, imposed restrictions on the members by setting up an Exchange Rate Mechanism (ERM). It made devaluation and revaluation to meet domestic needs more difficult. German domestic concerns caused Germany's central bank towards high interest rates.

In 1992, the UK and Italy had to leave the ERM. Later international currency movements injured Franco-German relations and brought about a modification of the ERM system. This seemed to bring a period of gloom and unhappiness over progress towards the goal of European monetary union and a common European currency. Later some countries were unable to achieve the economic conditions laid down as necessary for entry to the proposed arrangements and agreements.

France and Germany were the driving-force and the most consistent supporters of European integration. When the German economy grew stronger and stronger, the French government had to realize that Germany would be influential in deciding Europe's future. It can be said that de Gaulle's idea of a Europe of nation-states had to give way to a more federal view.

Loriaux says that there is a "golden triangle within the European Community, whose vertices are at Milan, London, and Frankfurt" (84). The "economic motor" of the European Community is within this "golden triangle." He says that, "running almost the entire length of this golden triangle is the Rhine" (84). "At the core of this Rhenish triangle, Western Europe's steel-producing heartland extends from Lorraine to the Ruhr, encompassing the Saar, Luxembourg, and half of Belgium. It is no accident that the original six countries of the European Common Market all belong to this Rhenish fraternity" (84). He also says that, "geography nurtured the development of a commercial industrial civilization buttressed by a network of cities" and "geography smiled on the economic development of the cities of the Rhine but frowned on their political development" (85). The political geography of the European Community is a "geography composed of concentric rings, with the Franco-German relationship at the centre, the rest of the Rhenish fraternity grouped around the centre, and the non-Rhenish countries relegated to the periphery" (107). It is at the centre that interest is greatest in "deepening" the Community, that is, endowing the Community with yet more of the attributes of national sovereignty. It is at the periphery that interest is weakest in "deepening" and the willingness to see the EC as a "free trade zone" the greatest, and the peripheral countries have a great interest also in "widening" the Community, that is, in adding new members.

The Treaty of Vienna in 1815 completed the integration of the Rhineland within the nation-state system. France developed an interest in the Rhine's "economic potential" and Prussia's government "worked hard to develop the industrial potential of the middle of the Rhine" (86). After the Treaty of Vienna, Prussia emerged as the major German power of Western Europe. There was a competition for control of the Rhineland by the Germans and the French. The Rhenish provinces of Alsace and Lorraine are a part of this competition for control.

After World War II, the U.S.'s efforts were to promote German economic reconstruction and the Marshall Plan proposed the creation of an Organization for European Economic Cooperation (OEEC). The French later proposed the creation of a European Coal and Steel Community (ECSC) that placed the entire French and German outputs of coal and steel under a single "European High Authority" (97). The ECSC created a common market for coal and steel products, but managed that market as a cartel (97). Loriaux says that, "for the U.S. the ECSC meant that France now accepted the principle of German reunification and for France it meant secure access to the resources of the Ruhr, European markets for French firms, and the success of the Monnet Plan" (97). The Schuman Plan, which proposed the ECSC, was called into existence to save the Monnet Plan. The European Defence Community (EDC) was established. It was a "European army under a European ministry of defence that was accountable to a European assembly" (97). "The dual concern to limit German independence without making inroads too deeply into French sovereignty, notably where the use of troops overseas was concerned, was everywhere apparent [in the treaty]" (97). Loriaux also says that, "in geopolitical terms, the EDC promised to give the French a significant parcel of sovereign control over the use of the Ruhr's industrial power to generate military might" (97).

The EDC turned out to be a failure. France had "internal political weakness" (97). The French assembly rejected the EDC and Germany was admitted to NATO. Germany's status as a legally occupied nation ended when it was admitted to NATO. Germany remained a semi-sovereign state. Germany now over the years had an interest "in extending membership in European institutions to new members and in furthering the process of European economic and political integration" (99). France agreed in October 1956 to the return of the Saar to the Federal Republic in exchange for continued control over the production of the coal mines of the Saar and three billion francs in compensation (99). Later, as mentioned earlier, a common monetary system set up by France (Delors) and Germany had been turned into a plan for a monetary union and set up an Exchange Rate Mechanism (ERM).

Loriaux says that there is a "geopolitical logic to European integration" and that "Europe's statesmen have been able to solve the riddle of the Rhine only by discarding the realpolitik of the past and donning what in appearance is a modern-day and Europeanized version of Wilsonianism" (107). He also says that, "one can argue that the very conceptualization of a geopolitically grounded 'national interest'… has been irrevocably altered if not rendered obsolete by the development of new structures, new processes, and new norms of interaction between the semi sovereign states of the European Community" (107).

According to Loriaux, semi sovereignty as a tool of geopolitical strategy has since 1990 become irrelevant. Loriaux says that, "one might argue that both France and Germany are irreversibly attached to the EC by new anchors that have effectively replaced the anchor of geopolitics" (108). He says the new anchors are "economic interdependence" and the "evolution of new norms of international, at least European behaviour." European integration came from a solution to a problem of geopolitics. "The riddle of the Rhine was solved by developing international institutions that bound the competing nations together in a constraining integrationist arrangement informed by the canons of economic liberalism" (109). Economic liberalism was the path on which the great powers took as a means of "adjusting their incompatible geopolitical claims" (83).

Only time will tell what the future of the EU will be. The question of "deepening" the EU will eventually be answered and solved. McAllister says, "that the very existence of the EC/EU framework has helped to permit, and probably encouraged, the emergence of new 'threats to the state'; and it is certain that it will have to try to process the results" (235). "The shape of the EC will be largely determined by the relative importance of three different 'cultures' in the way that it organizes its affairs – individualism, hierarchy and egalitarianism" (236). Finally, McAllister says that, " the EC will remain central to the European firmament" and "it might be added that no less important, in the new turbulence, is the issue of what kind of EU it will be, that will remain central to the European firmament" (236).

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