



TOPIC 1

THE PROCESS OF EUROPEAN INTEGRATION: CRONOLOGY, INSTITUTIONS AND DECISION MAKING

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I. Motivation for the European Integration: II World War

	Death toll	The Economic Set-Back: Pre-war year when GDP equalled that of 1945
Austria	525,000	1886
Belgium	82,750	1924
Denmark	4,250	1936
Finland	79,000	1938
France	505,750	1891
Germany	6,363,000	1908
Italy	355,500	1909
Netherlands	250,000	1912
Norway	10,250	1937
Sweden	0	GDP grew during WWII
Switzerland	0	GDP grew during WWII
UK	325,000	GDP grew during WWII



I. Motivation for the European Integration: Cold War

- Cold War begins.
- USSR pushes communism in the East.
- UK, French and US zones merged by 1948
- Moves towards creation of West German government.
 - Berlin blockade, 1948.
- “Neuter Germany” solution abandoned for strong West Germany + European integration.



I. Motivation for the European Integration: Cold War





II. Origin of the EU

- Organization for European Economic Cooperation set up in conjunction with Marshall Plan, 1948.
 - OEEC coordinated aid distribution and reduce intra-European trade barriers.
 - Liberalization fostered a rapid growth of trade and income
 - Exports promoted savings and investments
 - Federalism and intergovernmentalism

Federalism – supranational institutions ECSC (1951), EEC (1958)

Intergovernmentalism – nations retain all sovereignty. Economic cooperation by unanimous decisions OEEC (1948) & EFTA (1960)



III. European Coal and Steel Community (ECSC)

- Schuman Plan inspired by Jean Monnet. France and Germany place their coal and steel sectors under the control of a supranational authority
- Belgium, Luxembourg, Netherlands and Italy join it.
- Coal and Steel were critical sectors in those days for the economy and the military power
- The “High authority”, consisted of officials appointed by the six Member States, decide over pricing, trade and production of Coal and Steel
- Some decisions made by majority voting, though subject to limited control of Member State governments.

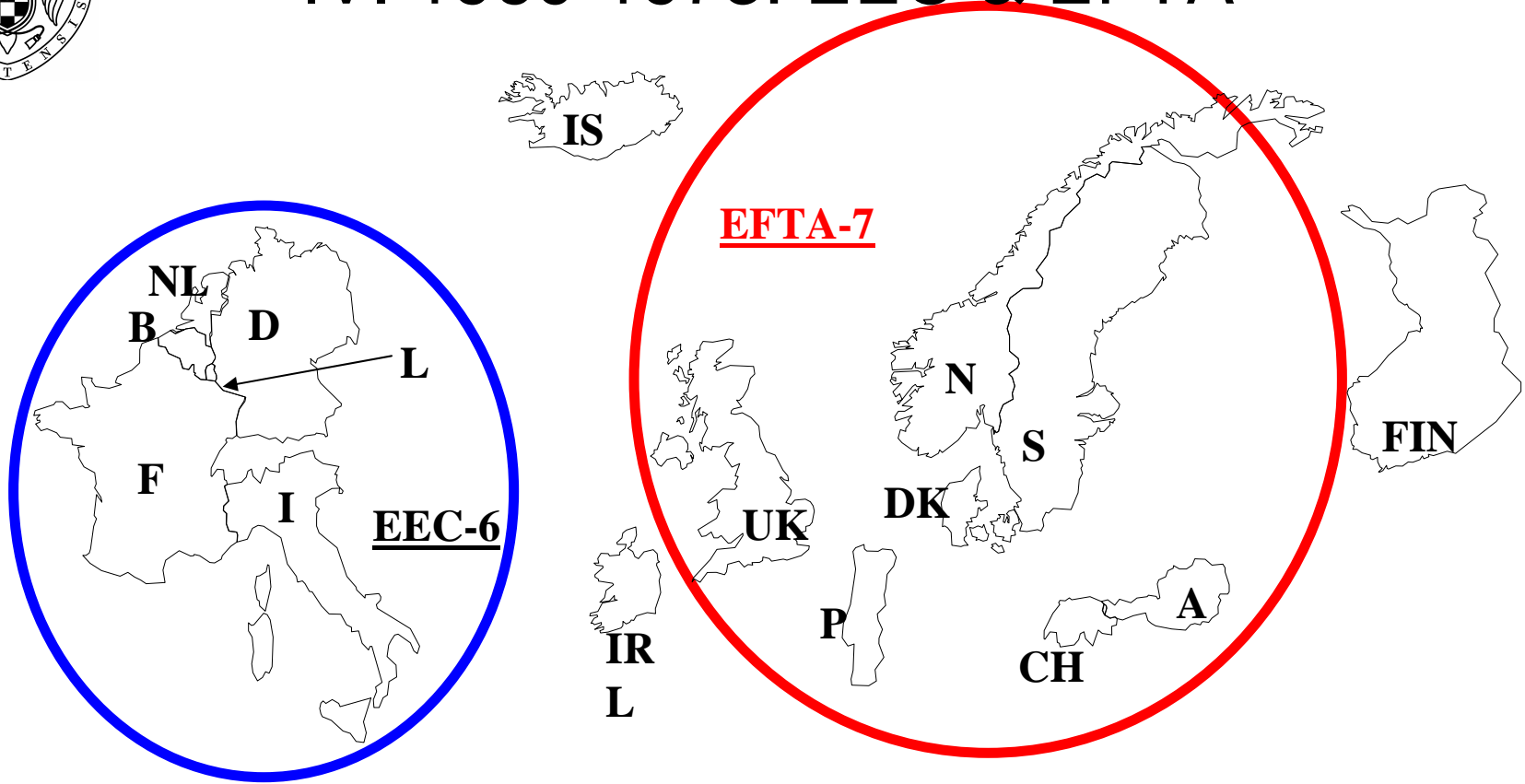


III. European Economic Community (EEC)

- Previous experience of ECSC & continuous rapid growth lead to think of a broader economic integration
- Signing of two Treaties of Rome (25 March, 1957):
 - European Atomic Energy Community
 - European Economic Community
- It formed a customs union (removing tariffs on intra trade and adopting common external tariff)
- It promised free labour mobility, capital market integration & free trade in services
- It set supranational authorities: European Commission, European Parliamentary Assembly, European Court of Justice & Council of Ministers



IV. 1960-1973: EEC & EFTA



West European Trade Arrangements in: 1960s
The EFTA-7 and the EEC-6 form two non-overlapping circles.



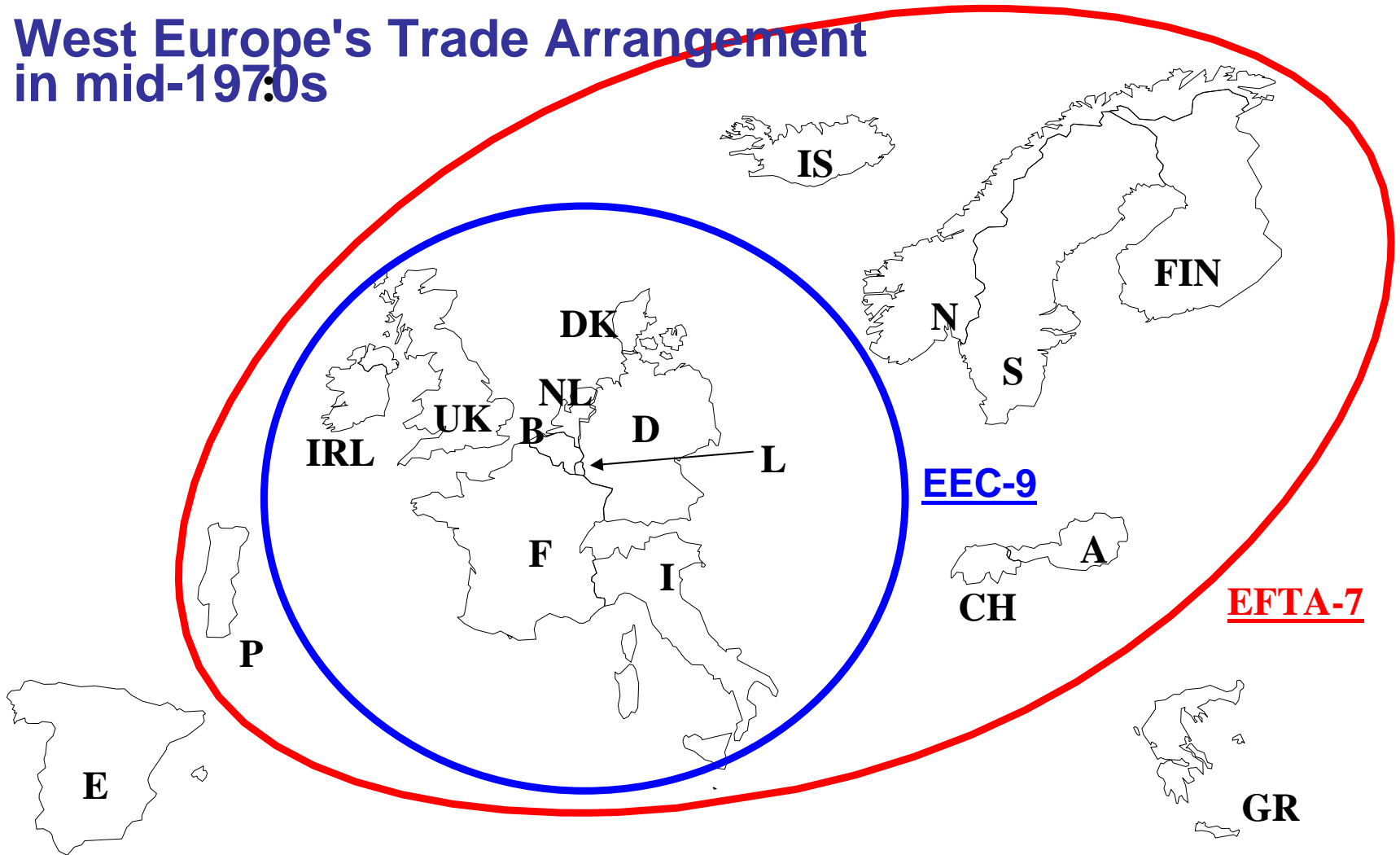
IV. 1960-1973: EEC & EFTA

- Preferential liberalisation in EEC and EFTA proceeded (EEC's customs union and EFTA's FTAs completed by 1968)
- Discriminatory effects emerge, leading to new political pressures for EFTAs to join EEC
 - Trade diversion creates force for inclusion. As EEC enlarges, force for inclusion strengthens
- When UK decides to apply for EEC (1961), 3 other EFTAs also change their minds.
 - De Gaulle's 'non' (twice)



IV. 1960-1973: EEC & EFTA

West Europe's Trade Arrangement in mid-1970s





V. 1973-1985: Euro-pessimism

- Political shocks:

- 'Luxembourg Compromise' (1966) + enlargement leads to decision-making problems. Unanimous voting replace majority voting.

- Economic shocks:

- Bretton Woods falls apart, 1971-1973.
 - Failed monetary integration schemes .
- 1973 and 1979 oil shocks with stagflation.
- Failure of Deeper Trade Integration. Technical Barriers to Trade. Technical regulations and standards
- Growing cost of Common Agricultural Policy creates frictions over budget.



VI. 1986: Deeper integration and Single Market

- Greece joins in 1981
- Spain and Portugal join in 1986 after long a difficult accession talks
- EMS set up in 1979 works well
- Budget Treaties



VI. 1986: Deeper integration and Single Market

Complete Internal Market. Free movement of goods, services, people and capital

Basic elements

1. Goods Trade Liberalisation

- Elimination of border formalities
- Harmonisation of VAT rates within wide bands
- Liberalisation of government procurement
- Harmonisation and mutual recognition of technical standards

2. Factor Trade Liberalisation

- Removal of all capital controls, and deeper capital market integration
- Liberalisation of cross-border market-entry policies

Decisions concerning single market issues decided by majority voting



VI. 1986: German reunification and Maastricht

- Germany gives up DM for European Monetary Union & East Germany joins the EU without negotiation.
- Jacques Delors proposes the formation of a monetary union.
- Maastricht Treaty, signed 1992
 - a monetary union by 1999, single currency by 2002.
 - Transfer sovereignty over monetary power (ECB independency)
- ERM exchange rate crises, 1992-1994.



VII. 90's Decade: EEA & Central and Eastern European Countries enlargement

- Deeper integration in EC-12 strengthened the 'force for inclusion' in remaining EFTAs. Result in EEA – initiative to extend single market to EFTAs.
- By the 1980s, Western European system (free markets, extensive social welfare systems and multi-party democracy) clearly superior due to the creeping failure of planned economies.
- June 1989 Polish labour movement 'Solidarity' forced free parliamentary elections & communists lost. Moscow's hands-off approach to the Polish election triggered a chain of events. Berlin Wall falls 9th November 1989.



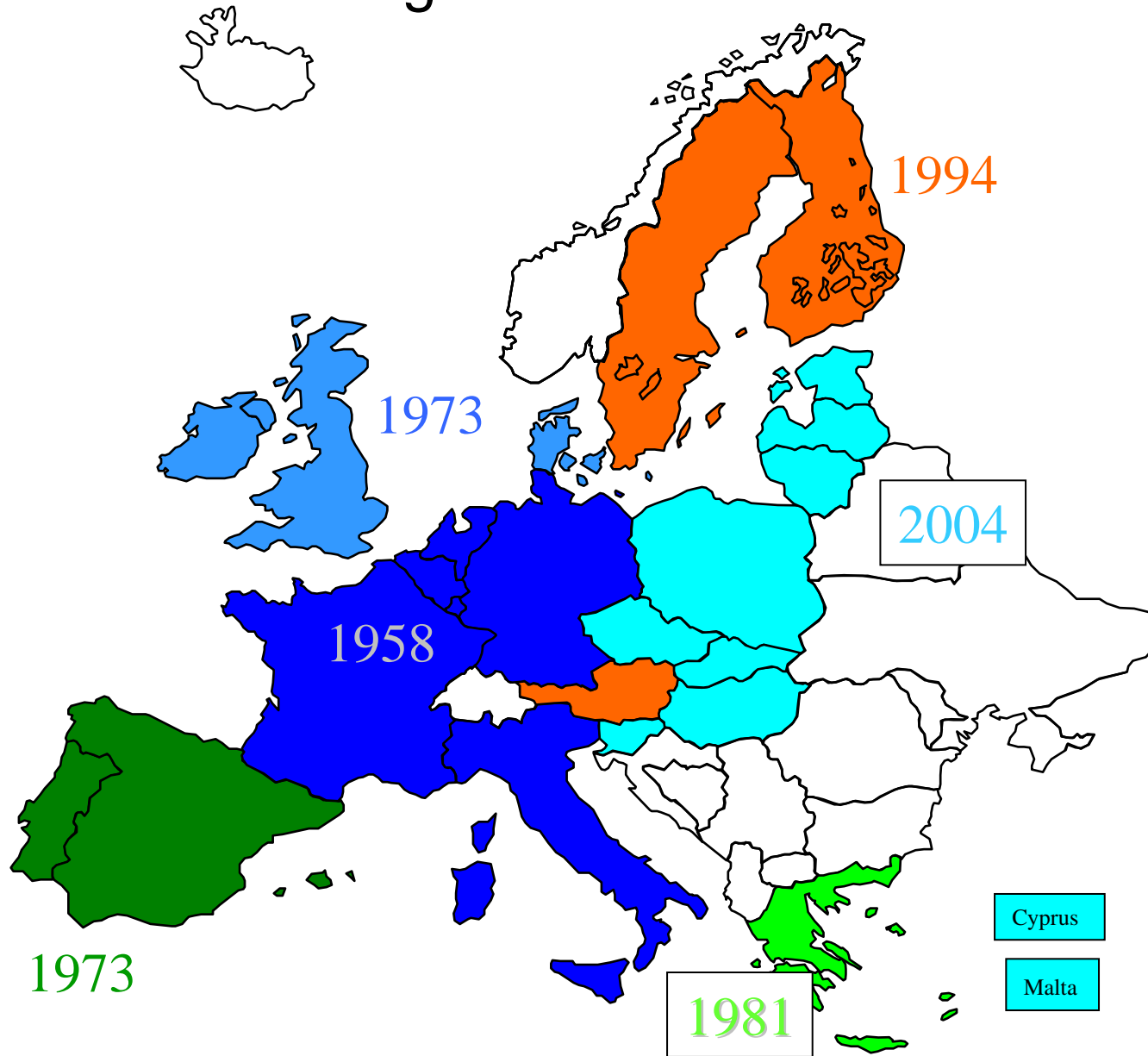
VII. 90's Decade: Central and Eastern European Countries enlargement

- The European Union reacted by signing of 'Europe Agreements' with CEECs. Deeper integration and some aid.
- EU Set out famous Copenhagen criteria for membership (1993)
 - stability of institutions guaranteeing democracy,
 - the rule of law,
 - human rights and respect for and, protection of minorities,
 - the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces.
- Copenhagen summit December 2002 says 10 CEECs can join in 2004. 5th enlargement in May 2004



VIII. Fourth and fifth enlargement

European Economy





IX. Preparing for Eastern Enlargement

- Impending enlargement required EU to reform its institutions
 - Amsterdam Treaty, 1997
 - Nice treaty, 2000
 - Constitutional Treaty, June 2004.



IX. 1 Amsterdam Treaty

- Failed to reform main institutions
- Tidied up of the Maastricht Treaty
 - More social policy, Parliament powers modestly boosted,
- Amsterdam leftovers
 - voting rules in the Council of Ministers,
 - number of Commissioners,
 - Extension of issue covered by majority voting



IX. 2 Nice Treaty

- Reforms of main institutions agreed, but poorly done
 - Council voting rules highly complex and reduce EU's ability to act with more members
 - No important extension of majority voting
 - Make shift solution for Commissioners
- Main changes re-visited in draft Constitutional Treaty, 2003



IX. 3 Constitutional Treaty

- Improved decision-making rules for Council of Ministers and slightly more majority voting.
- Inclusion of Charter of Fundamental Rights.
- Other things where CT not strictly required:
 - Moves towards more coherent foreign policy decision making.
 - Many de facto points turned into de jure.



X. Institutions

- The five most important:
 - European Council
 - Council of Ministers
 - Commission
 - Parliament
 - EU Court.



X. Institutions: European Council

- Consists of the leader (prime minister or president) of each EU member plus the President of the European Commission.
- By far the most influential institution.
- Reaches compromises on sensitive issues:
 - reforms of the major EU policies
 - the EU's multiyear budget plan
 - Treaty changes
 - final terms of enlargements
- Meets at least twice a year (June and December)



X. Institutions: Council of Ministers

- Usually called by old name Council of Ministers (formal name is now 'Council of the EU').
- Consists representatives at ministerial level from each Member State. Famous ones include EcoFin (for financial and budget issues), the Agriculture Council (for CAP issues), General Affairs Council (foreign policy issues).
- two main decision-making rules:
 - on the most important issues, unanimity, e.g. Treaty changes, enlargement, multi-year budget plan
 - On most issues (about 80 per cent of all Council decisions), qualified majority voting (QMV).
- Even though QMV is the basis of most Council decisions, the Council rarely votes: they usual decide things by 'consensus'.



X. Institutions: European Commission

- European Commission is at the heart of the EU's institutional structure.
- Has four main roles:
 - propose legislation to the Council and Parliament
 - to administer and implement EU policies
 - to provide enforcement of EU law ('guardian of the Treaties')
 - it also represents the EU at some international negotiations.
- Commissioners are chosen by their own national governments. Should not accept or seek instruction from their country.



X. Institutions: European Commission

- Each Commissioner in charge of a specific area of EU policy. Directorate-Generals (DGs).
- Power most obvious in competition policy and trade policy.
- Manage the EU budget, subject to EU Court of Auditors.
- Decision making:
 - decides on basis of a simple majority, if vote taken
 - almost all decisions on consensus basis.



X. Institutions: European Parliament

- Two main tasks:
 - oversees EU institutions, especially Commission
 - it shares legislative powers, including budgetary power, with the Council and the Commission.
- Directly elected in special elections organised by member nation
- Number per nation varies with population but rises less than proportionally.
- Generally organised along classic European political lines



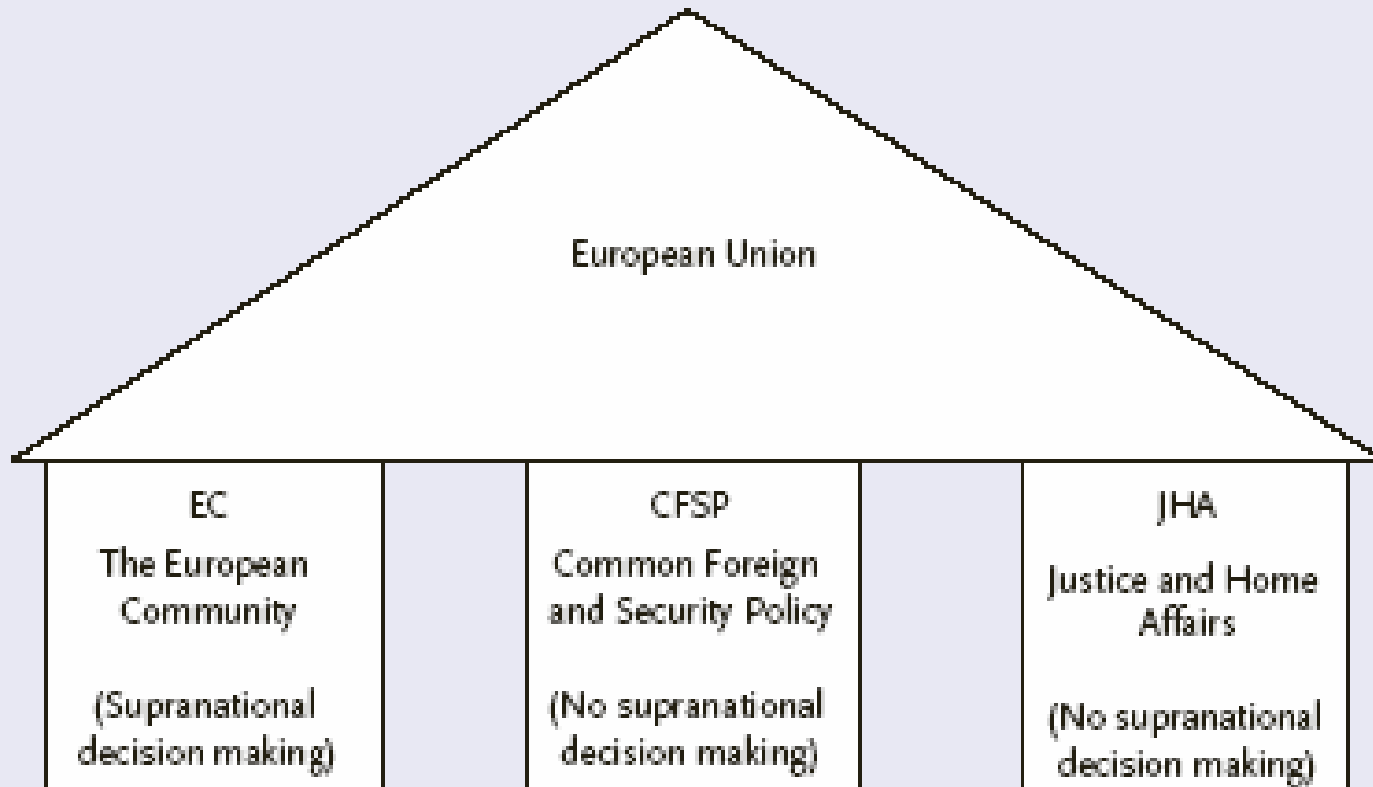
X. Institutions: European Court of Justice

- EU laws and decisions open to interpretation that lead to disputes that cannot be settled by negotiation:
- As a result of this power, the Court has had a major impact on European integration.
- Its ruling in the 1970s on non-tariff barriers triggered a sequence of events that eventually led to the Single European Act
- Consists of one judge from each member state



XI. Fundamental issues about the EU Constitution

Bringing some issues from the third pillar to the first



NOTE: Some find the following cynical phrase to be useful in remembering the numbering: 'In the EU, economics comes first, justice comes last and security is in the middle.'



XI. Fundamental issues about the EU Constitution

- First Pillar includes: Common Market, Competition Policy, CAP and Economic and Monetary Union.
- Supranationality in this first pillar means that :
 - Commission can propose new laws that should be then be voted by Council of Ministers and Parliament.
 - Commission has direct executive power in areas such as competition policy (blocking mergers)
 - European Court of Justice can alter laws, rules and practices in some areas.
- Second Pillar and Third Pillar require unanimity.



XI. Fundamental issues about the EU Constitution

- Basic structure:
 - Part I. Principles:
 - Goals of the EU
 - List of areas in which Member States have fully or partially transferred sovereignty
 - Explain EU institutions
 - Detail the EU legal system
 - Part II. Charter of Fundamental Rights
 - It binds to Member States when using EU law
 - Part III. Policies and decision making details
 - Part IV. General and Final Provisions



XI. Fundamental issues about the EU Constitution

- Institutional changes:
 - Commission
 - From one each country to 2/3 in a rotating system
 - Council of Ministers:
 - Some council meetings will be held in public (“Bring the EU closer to the people”)
 - New European Minister for Foreign Affairs would conduct Common Foreign and Security Policy, conduct political dialogue with third countries and represent the EU in international organizations. It is the joint post of external commissioner & Mr. CFSP.



XI. Fundamental issues about the EU Constitution

- Institutional changes:
 - European Council
 - European Council president for 2 and a half years. It has the agenda setting power. Double majority voting. 55% of Member States and 65% of population.
 - European Parliament:
 - Bigger power in many areas (including the CAP and the budget).
 - National Parliaments:
 - Commission send all legislative proposals in the national parliament.
 - If one third of national parliament want to revise a legislation, the Commission should do it. (“Making the EU closer to the people”)